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A Buddhist monk engulfed by tear gas during Sinhalese protests on Tuesday in Colombo.

Sinhalese Riot Over Tamil Pact

19 Die on Eve Of Gandhi Visit To Sign Accord

By Seth Mydans
New York Times Service
COLOMBO, Sri Lanka — At least 19 persons were killed Tuesday and more than 100 injured when the police fired into crowds opposing the planned signing of an accord on Wednesday to end racial violence in Sri Lanka.



Attorney General Edwin Meese 3d during a break in testimony on Tuesday.

Meese Backs His Inquiry

Says He Didn't Suspect North of Lying Earlier

The Associated Press
WASHINGTON — Attorney General Edwin Meese 3d told congressional investigators on Tuesday that he had not suspected that Lieutenant Colonel Oliver L. North was lying in November when he detailed his activities relating to the Iran-contra affair during a Justice Department interview.

Kiosk

Bulgaria Leader Urges Shake-Up

BELGRADE (Reuters) — The Bulgarian Communist Party leader, Todor Zhivkov, proposed on Tuesday a political shake-up and constitutional changes to promote self-management and democratic reforms, the official BTA news agency reported.

Peru Targets Banks

President Alan Garcia is calling private banks to account for their role in the economy, the president's spokesman said Tuesday. Peru's banks and credit institutions. Details, Page 9.



Clarence Brown Jr., deputy U.S. secretary of commerce, is a top candidate to replace Malcolm Baldrige. Page 3.

GENERAL NEWS

Iran vowed to attack American and Kuwaiti targets in the Gulf if the two nations persist in aiding Iraq. Page 2.

SPORTS

Britain's Laura Davies won the U.S. Women's Open golf title in a playoff with American JoAnne Carner and Japan's Ayako Okamoto. Page 15.

BUSINESS/FINANCE

Shares in privatized BAA rose 46 percent in their first day of trading in London. Page 9.

Dow close: UP 25.83
The dollar in New York:
DM 2.35 Yes FF 1.8335 1.6035 150.20 617

Saudi Teams Find A Minefield in Gulf

By Molly Moore
Washington Post Service
WASHINGTON — Saudi Arabian teams have discovered a minefield in the same area of the Gulf where a reflagged Kuwaiti supertanker hit a mine Friday, accelerating fears over the lack of plans for protecting future Gulf convoys, Pentagon officials said Tuesday.

U.S. explosives disposal teams have been dispatched to help clear the mines from the waters off Farsi Island, about 120 miles (195 kilometers) southeast of Kuwait, officials said. Pentagon officials said they have identified seven mines in the area but are uncertain how many more may have been planted.

Robert B. Sims, the Pentagon spokesman, said Tuesday that military officials think the mine that blew a hole in the tanker's hull was planted only hours before two reflagged tankers said three U.S. Navy escort ships steamed through the channel.

Reagan Sees Progress on Arms Accord

United Press International
WASHINGTON — President Ronald Reagan said Tuesday that "the climate is now receptive to a historic proposal" as the superpowers appeared to move closer to the global elimination of medium- and shorter-range missiles.



Maynard W. Gittman before talks Tuesday in Geneva.

South African Military Claims To Have Killed 190 in Angola

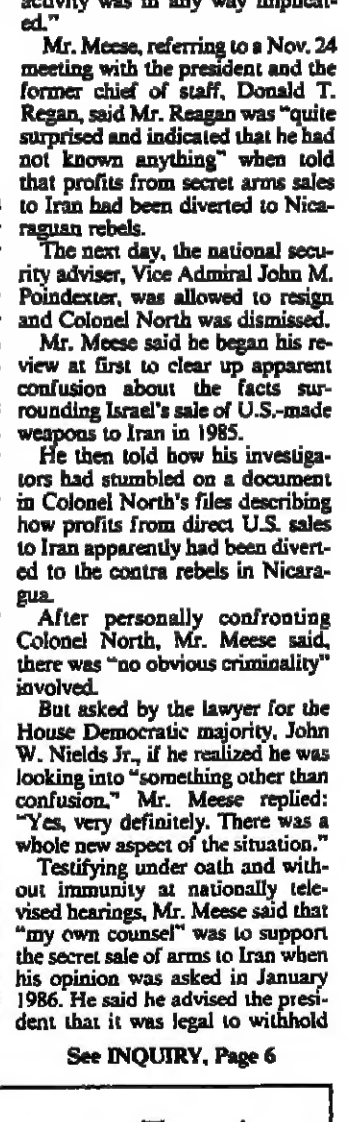
Reuters
WINDHOEK, South-West Africa — South African-led security forces said Tuesday that they had killed 190 nationalist guerrillas and Angolan soldiers during a raid in southern Angola.



Maynard W. Gittman before talks Tuesday in Geneva.

Soviet Rejects Pledge On Pershing Missiles

By Jim Hoagland and Gary Lee
Washington Post Service
MOSCOW — Soviet arms control officials ruled out on Tuesday any compromise at the Geneva negotiations over 72 Pershing I-A missiles in West Germany, insisting that the United States must destroy the weapons' warheads as part of a superpower accord to eliminate theater nuclear weapons.



Maynard W. Gittman before talks Tuesday in Geneva.

Are the 'Lazy French' Going Belly Up on a Full Stomach?

By James R. Crace and Axel Krause
International Herald Tribune
PARIS — The French, surely one of the planet's more self-involved people, are in a national funk this summer over their standing in the world.

Austria Rescues Its Art

Outdated Vienna Museums Get Funds

By Ferdinand Proetzman
International Herald Tribune
VIENNA — In an effort to rescue Vienna's outdated museums from further decay, Austria's cabinet council approved a financing package Tuesday worth 1.6 billion Austrian schillings (\$12.7 million).

Iran Warns Kuwait And U.S. of Attack if Aid to Iraq Persists

GENEVA — Iran vowed Tuesday to attack American and Kuwaiti targets in the Gulf if the United States and Kuwait persist in backing Iraq in the seven-year war.

"Any country which supports Iraq is subject to our retaliatory measures," Iran's foreign minister, Ali Akbar Velayati, said at a news conference. "In the past we have showed restraint, but in future we will not."

He said this meant military strikes against American targets in the Gulf and "certain areas in Kuwait."

The United States and Kuwait are helping Baghdad by shipping Iraqi oil through the Gulf, he said.

The recent U.S. decision to increase its military presence in the region and to escort Kuwaiti tankers flying American flags put Washington clearly in the Iraqi-Kuwaiti camp, he added.

Mr. Velayati also laid down a hard line against France, saying that French diplomats in Tehran would suffer the same treatment as Iranian diplomats in Paris.

The two countries severed relations earlier this month and surrounded each other's embassies with security forces.

France wants to question an Iranian interpreter, holed up in its embassy, about terrorist bombings

in Paris that killed 13 persons and injured more than 150.

Iran contends that the interpreter, Wahid Gerdji, has diplomatic status, which France denies. In response, Iran has accused a French diplomat in Tehran of espionage and other charges.

"Whatever our diplomats receive in France, the French diplomats will receive the same treatment," Mr. Velayati said.

The accused France of supporting groups involved in acts of "terrorism" in Iran and of providing sophisticated weaponry to Iraq.

Mr. Velayati was in Geneva to address a 40-nation disarmament conference at the United Nations European headquarters.

He told the conference that Iraqi attacks with chemical weapons continued and that at least 100 people had been killed and 3,000 were injured in a recent gas attack on the town of Sardasht.

In Moscow, meanwhile, a Soviet official said that a first deputy foreign minister, Yuli M. Vorontsov, would visit Tehran and Baghdad soon as part of efforts to end the Gulf war.

A Foreign Ministry spokesman, Gennadi I. Gerasimov, said that Mr. Vorontsov's trip, his second to the capitals in the past month, was for a continuation of consultations with the Iranian and Iraqi governments.

Iraq Rejects Partial Truce

Don Oberdorfer of The Washington Post reported earlier from Washington:

Foreign Minister Tariq Aziz of Iraq said Monday that his country would not accept either a de facto or a partial cease-fire in the war.

He also declined to make clear whether Iraq would continue to refrain from attacking ships in the Gulf while the United Nations seeks a full-scale peace.

Following a 90-minute meeting with the U.S. secretary of state, George P. Shultz, Mr. Aziz said that anything less than a "comprehensive" end to the fighting, including ground warfare as well as attacks on shipping, would benefit Iran.

"Iran should not be given any prize for its policy of intimidation and blackmail," he said.

Iraq has not attacked Gulf shipping since July 15, five days before the UN Security Council resolution calling on both sides to end the fighting.

While Iran is deemed unlikely to accept an end to what Ayatollah Ruhollah Khomeini has declared a holy war, some U.S. State Department officials have expressed hope in recent days that Tehran would wind down the war in unspoken, or de facto, fashion if Baghdad does the same.

"A de facto situation is not acceptable to Iraq," Mr. Aziz said following his meeting with Mr. Shultz. He said Iran should be required to formally accept the UN resolution demanding an end to the war.

French commentators have interpreted the alert as France's way of showing Iran that it will not be intimidated by extremist groups in Lebanon that are issuing threats against French interests.

France is holding the aircraft carrier *Clemenceau* and two frigates on 24-hour alert for possible duty in the Gulf or Middle East.

Mr. Giraud has maintained that the naval alert, announced Sunday, was a precaution, but previously he said it was probable the fleet would sail.

The defense minister's comments appeared to indicate a lowering of tension between Paris and Tehran. The governments have been locked in a four-week dispute over an Iranian Embassy interpreter's refusal to be questioned by the French authorities seeking information on a wave of terrorist bombings in Paris last year.

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Heidi Larson: "I'm supposed to be drawing conclusions, but the diversity makes me want to turn the whole thing around."

London's Punjab: Leaving Hatreds Behind

By Francis X. Clines

New York Times Service

SOUTHALL, England — The scholar seems more street-smart than bookish as she barges in with all the trust of kith and kin on the bumble homes of what she calls New Punjab in Old England, speaking Urdu and checking on the children, the health, the love lives of the families who are the stuff of her scholarship.

A branch of the Rana family discloses that they are giving up and going back to Pakistan after more than a decade. So Heidi Larson, unabashedly nonobjective for a Fulbright scholar, quickly approaches the two young daughters — her initial points of entry to the family's lives — and offers to go on a final day tour of the neighborhood before they move to the ancestral land they know less well.

"We'll take pictures of what you want to remember about Southall," she tells them.

Out on the streets, the scene is at once humble and exotic: pedestrians in bright saris in crowds dotted with the turbans and imperious beards of Sikh men moving past a brick-fronted setting of stolid attached houses and small garden patches.

This Punjab is new if only because the murderous conflicts that chronically engulf Hindu, Moslem and Sikh have been left back in the old Punjab, and to such an extent that a visiting scholar must wonder why. Residents can only answer that this place is far from the past.

Under the gloom of a typical English day, life seems honestly uncertain in this simple community on the western edge of London, a busy, thriving transplant from the Indian subcontinent that headed to England, moving from rickie to torrent, after the partition of the

Punjab at the independence of India 40 years ago. The colorful Hindu, Islamic and Sikh outfits are wisely bolstered by British wool sweaters as Miss Larson moves from one house to another, children announcing in the doorway, "It's Heidi."

She pops in on Hindu temple and Islamic mosque, draws a smile from an old Punjabi grandmother who looks perpetually chilled and

There are occasional violent echoes of them in London, and there were anti-police riots in Southall in the 1970s. But, community westerners emphasize, that even these saw a joining of Hindu, Sikh and Moslem in common complaint about anti-Asian bias in England.

There are new problems, such as the street-gang phenomenon that interests Miss Larson — the swaggering Holy Smoke and Tooti Nung gangs. Beyond the community fear of their thuggery, the anthropologist can wonder about the impulse of territoriality and what it demonstrates about the young generation taking root.

There seem as many doctoral theses as interesting people on the streets of Southall, and more keep coming, although not at the rate that once saw Akram Rana's house at 47 Abbott Road, a round-the-clock sanctuary for Punjabi newcomers. "My house was so near the airport, everybody was coming in and we had to help," said the originator of what is now called the "Heathrow connection" — the focus on Heathrow Airport as a source of jobs and community outlet for the Punjabi newcomers, whose Southall settlement now exceeds 50,000.

Miss Larson hesitates to draw overly optimistic conclusions, but she finally sketches an outline of New Punjab: the other day, it begins with her 10-year-old friend, Salma, who explains Southall this way: "Everyone used to live in India because Pakistan wasn't built. And then this man made something called Pakistan, and then my parents went there to live. That's how they got separated from their village and everything. Half of them said some of us should be Moslems, some of us should be Indians, some of us should be Hindi, English, like that."

The die-hards are trying to preach their message, but the people are living very amicably in Southall; the poisonous propaganda doesn't take hold here," he said of the religious and sectarian conflicts and animosities that continue to afflict the Indian subcontinent.

Down past the small, flourishing shops and old Anglican church that generously offers vicarage space for Koran readings, Miss Larson can hear a different possible theme from Amah Singh Koonal, a Sikh journalist who retired from Delhi to his son's home in Southall six years ago.

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WORLD BRIEFS

Greece Cools but Landslide Hits Italy

SONDRIO, Italy (AP) — Tons of rocks, earth and mud swept down mountainside on Tuesday and buried three Alpine villages that had been evacuated after recent flooding. The authorities said one person was killed, six were injured and 24 were missing.

The landslide, more than a mile wide (about two kilometers), struck area near the Swiss border in the valley of Valais, which was hit by flooding and mudslides that claimed 19 lives in northern Italy last week.

Meanwhile, Greece cooled off Tuesday after an eight-day heat wave that killed nearly 800 people in Athens and the port city of Salonika, scorched farmland throughout the country.

Temperatures in Athens dropped from 40 degrees centigrade (104 degrees Fahrenheit) on Monday to 26 degrees centigrade (79 F). Residents streamed back to the city. More than 120,000 of the city's million residents had fled to beaches and islands last week to avoid heat, according to the police and tourist guide authorities.

German Pilot Faces 3 Soviet Charge

MOSCOW (Reuters) — Mikhail Rost, the young West German pilot who flew a light plane on an unauthorized flight from Helsinki, Moscow in May, will face three separate charges at a trial, a Soviet investigator said Tuesday.

The investigator, quoted by a West German Embassy spokesman, said the charges were illegal entry into the country, violation of flight rules and malicious hooliganism. The most severe charge facing Mr. Rost, 19, 10 years in prison.

Earlier Tuesday, a Soviet Foreign Ministry spokesman said there was no question of Mr. Rost's guilt. "Over the government of Federal Germany does not deny his offense," he said.

Massacre Sparks Port-au-Prince Riots

PORT-AU-PRINCE, Haiti (Reuters) — Riots flared here Tuesday as criticism mounted over the government's handling of a massacre in remote farming district that left at least 100 dead and hundreds wounded.

Troops fired tear gas at several hundred demonstrators who threw stones, shouted anti-government slogans and set up barricades of rocks and burning tires in the capital city. There were no reports of injuries.

The rioting ended a week of calm in Port-au-Prince following news that militia of anti-government forces and demonstrators that left at least 100 people dead.

In the bloody battle last Thursday and Friday, hundreds of peasants demanding land reform clashed with troops employed by the landowners near Jean-Rabel, about 140 miles (225 kilometers) northwest of Port-au-Prince.

Afghan Troops Fail to Halt Guerrillas

ISLAMABAD, Pakistan (AP) — Soviet troops are digging in just west of Kabul after Afghan guerrillas apparently failed to halt advancing Moslem guerrillas, Western diplomats sources said Tuesday.

From July 6 to 8, Moslem guerrillas overran as many as six Soviet Afghan posts and inflicted about 600 casualties, according to the sources. They also said that Soviet troops were massing southwest of Kabul, making a second attempt at dislodging the insurgents there.

The guerrillas, using anti-aircraft missiles, are reported to have scored major successes in the past two months. According to the sources, the Soviet troops have been seen digging trenches and stinging barbed wire in the Paghman basin, about 15 miles (24 kilometers) west of Kabul, where tanks and armor positioned on the high spots.

Enrile Says Aquino Is Silencing Foes

MANILA (UPI) — An opposition leader, Juan Ponce Enrile, accused the government Tuesday of trying to silence its political foes and said he regretted having helped to install President Corason C. Aquino.

Mr. Enrile, leader of the opposition Grand Alliance for Democracy, said the failure to seat him in the Senate pending an election recount and the decision to file corruption charges against him were part of an Aquino administration effort to eliminate opposition in the new Congress.

"The voice of the opposition in this country will not be silenced," Mr. Enrile said at a news conference. His remarks came the day after new members of the House of Representatives and the Senate took office, marking the formal return of democracy to the Philippines after 15 years of authoritarian rule.

Greenspan Backed to Replace Volcker

WASHINGTON (UPI) — The Senate Banking Committee unanimously approved on Tuesday the nomination of Alan Greenspan to succeed Paul A. Volcker as chairman of the Federal Reserve Board.

The panel also approved, 17-3, the nomination of David Ruder, a Northwestern University law professor, to head the Securities and Exchange Commission. Both nominees now go to the full Senate, where confirmation is expected.

Mr. Greenspan, 61, is a widely respected economist who headed President Gerald R. Ford's Council of Economic Advisors.

TRAVEL UPDATE

The captain of an Aer Lingus Boeing 737 carrying 117 passengers said a helicopter crashed the runway on which he was preparing for takeoff at Dublin Airport on Monday. He said the helicopter then moved off in the left lane and the takeoff was completed without delay.

A technical issue delayed the start of London's downtown train service on Tuesday. A spokesman said it will run without passengers "until we can provide a trouble-free operation." The service links the financial district with the former docks area in East London.

In Italy, Gorla Unveils A Five-Party Coalition

ROME — Prime Minister-designate Giovanni Gorla presented his new government to President Francesco Cossiga on Tuesday, facing a coalition of the same five parties that collapsed in bitter wrangling on March 3.

Mr. Gorla, a Christian Democrat, succeeded in patching together the old coalition of Christian Democrats, Socialists, Republicans, Social Democrats and Liberals that Bettino Craxi, a Socialist, led as prime minister for a postwar record of three and a half years.

Mr. Gorla had planned to meet with Mr. Cossiga in the presidential palace in the early evening but had to delay the encounter for two and a half hours because of last-minute squabbling among the coalition members.

He gave the president a list of ministers, who are expected to be sworn in on Wednesday. Then the new government faces confidence votes in both houses of Parliament.

Mr. Gorla, who turns 44 on Thursday, will be the youngest prime minister in the 40-year history of the Italian republic. He has been treasury minister for the past five years.

Mr. Gorla was given a mandate by Mr. Cossiga two weeks ago to try to form a new government.

Austria Appoints U.S. Envoy

VIENNA — Austria appointed Friedrich Hies, a diplomat and politician, on Tuesday to be its ambassador in Washington.

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AMERICAN TOPICS

Congressional Visits To Soviet Promoted

The Federation of American Scientists says all members of Congress should visit the Soviet Union. The Federation, with 5,000 members, is dedicated to ending the nuclear arms race, and its leaders say that such trips, while relatively inexpensive, would ease international tensions. They also are in favor of more members of the Politburo and the Supreme Soviet visiting the United States, but find that harder to influence.

The federation said 58 of the 100 U.S. senators and 157 of the 435 members of the House of Representatives have visited the Soviet Union. Jeremy J. Stone, federation director, told The New York Times that most legislators return from such visits with their attitudes changed: "The doves are disillusioned and the hawks are tranquilized."

"The doves sense the suffocation of a nation lacking intellectual freedoms," Mr. Stone said, and "are more vigilant in addressing Soviet motivations." The hawks "look for signs of strength and danger to America," he said, adding, "They see instead relative backwardness and an unmistakable fear of war. They come home fearing the Soviets less."

"These visits should lead the U.S. to be more vigilant," Mr. Stone said, but also should lead to less weaponry and more negotiation.

"The presumption that travel is suspect needs to be changed. It is a presumption that Congressmen failing to visit our main adversary and competitor will be criticized for dereliction of duty."

Short Takes

Jeff Ross, a prosecutor in Harris County, Texas, has brought many a check forger to justice. He has his own checks imprinted with his picture in the upper left-hand corner with a complete physical description of himself beneath his address and telephone number. "Now," Mr. Ross said, "only a person with my looks and physical description can pass my checks. If all check owners would get this done to their checks, we would see a dramatic decrease in the amount of forgeries."

Corporate contributions to charity declined in 1986 by 2.5 percent, the first decline in 15 years, according to the Conference Board, a business research organization. With the exception of a few major donors, such as the oil industry, William S. Woodside, executive committee chairman of Primetec Corp., formerly American Can, told The New York Times that today's corporate managers are so engrossed with simple survival that "it be-



CARPENTER — Former President Jimmy Carter working on a house as part of a project for the needy in Charlotte, North Carolina. Volunteers plan to build 14 houses in five days.

comes positively un-American to look at anything but their own bottom line." Corporate giving has never accounted for more than 5 percent of private philanthropy; the overwhelming share comes from individuals.

A \$10 million study of Los Angeles smog had to be postponed last week for three weeks because the weather was too clear. More than 300 researchers, including several from overseas, packed their gear and went home. Unusually favorable weather conditions had reduced smog levels to such an extent that scientists said it would be better to wait until the air got dirtier. Barbara Turpin of the Oregon Graduate Center in Beaverton said, "I hate to complain about nice weather."

Noting the growing trend to dismantle barns and put them up again to be remodeled as dwellings in expensive suburbs, The New York Times signed in a nostalgic editorial that once upon a time, "barns housed hay. And tractors. Not to mention empty oil cans, tool boxes, sawhorses, worn pitchforks and worn-out chairs. For furniture, the kind of magazines mothers didn't allow in the house (or at all), rolled-up rugs, spare tires, feed bags and, nailed neatly to studs and crossbeams, long lines of old license plates."

—ARTHUR HIGBEE

White House Sifts Names For Successor to Baldrige

By Stuart Auerbach
Washington Post Staff Writer

WASHINGTON — The White House has begun winnowing names for a successor to Malcolm Baldrige, the secretary of commerce, who was killed Saturday in a riding accident. But it indicated there was "no hurry" to replace Mr. Baldrige, the first cabinet secretary to die in office in almost 40 years.

While the two primary candidates are already in the Commerce Department, a number of other well-known Republicans, both in and outside the Reagan administration, were mentioned Monday as potential candidates.

An administration official said President Ronald Reagan would not focus on finding a successor until after a memorial service for Mr. Baldrige in Washington on Wednesday and the funeral in Connecticut on Thursday.

"We're not going to be able to find anybody who's going to fill Mac's shoes," said James A. Baker Jr., 3d, the Treasury secretary, in a tribute to Mr. Baldrige on a public affairs television program Monday.

Mr. Reagan and Vice President George Bush are to deliver the eulogies at the memorial service at the National Cathedral on Wednesday. Senator John C. Danforth, Republican of Missouri and an Episcopal minister, is to officiate.

In the meantime, one of the top candidates to replace Mr. Baldrige, Clarence Brown Jr., the deputy secretary of commerce, took over as acting secretary. Mr. Brown, an Ohio congressman for 17 years, became the second-ranking man at Commerce after he lost the race for governor of Ohio in 1982.

China Jails 8 Officials For Misuse of Funds

The Associated Press

BEIJING — Eight Communist Party officials in Hubei Province have been expelled from the party and imprisoned for misusing public funds and taking bribes, the official English-language newspaper China Daily reported Tuesday.

Wang Bentao, director of the Transport Department in Huanggang Prefecture, and seven others were convicted of misusing \$7,000 yuan (\$23,000) allocated for road construction, the newspaper said.

It's 'War' on L.A.'s Overheated Freeways

By Jay Mathews
Washington Post Staff Writer

LOS ANGELES — An increase in street and highway shootings here since mid-June has surged to a distressing level, with five separate incidents last weekend that left three men dead and two more slightly injured.

"It's a war out there," said Dr. Ange Lobue, a psychiatrist specializing in stress. The California Highway Patrol and local police have reported 10 roadway shootings since June 18, with a total of four dead and two seriously injured.

The pace of reported shootings has accelerated in the last week, culminating with three on Sunday. Medical and law enforcement authorities attribute the bloodshed to record traffic on southern California freeways, hot weather and Californians' love of their cars.

In the latest incident, the Los Angeles police said two men, Manuel Brown Avila, 28, and Angel Aguirre Barrera, 36, were found dead about 6:45 P.M. Sunday near Mr. Avila's car at a stop sign in Sylmar, a community in northwestern Los Angeles. A witness said a motorist shot the two men after Mr. Avila failed to move his car past the stop sign, although the police said they were also investigating the possibility that gang warfare was involved.

Earlier Sunday, two men were slightly injured when a man driving a sports car became enraged during an argument on the crowded Pacific Coast Highway in Santa Monica and fired several shots into a pickup truck. The police said one truck passenger received powder burns and another minor cuts from broken glass. Another bullet pierced a safety helmet being held by a nearby motorcyclist, but he was not injured, the police said.

The police in Alhambra, northeast of downtown Los Angeles, said men fired six shots from a blue pickup truck at another vehicle on the

Long Beach Freeway about 4 A.M. Sunday, leaving three bullet holes but no injuries.

The authorities said they had not followed up the Alhambra report, despite the general similarity between the assailant's description and that of a man who allegedly killed Russell Pironne, 17, on Friday night in Pomona, 20 miles (32 kilometers) away. Mr. Pironne was shot after pulling his Volkswagen in front of a blue pickup whose occupants complained loudly that he had cut them off.

"People take on a whole different personality behind the wheel," said Sergeant Mark Lunn of

they can get away with, without even leaving a tire mark behind," said Paul Barrera, a Pasadena real estate broker who serves as regional coordinator for the Guardian Angels, a private crime-fighting group with seven local chapters. Only two of the 10 incidents have so far resulted in arrests.

According to the Highway Patrol, the series of shootings began June 18 on a freeway near the desert community of Newhall when three bullets from a passing truck narrowly missed a motorcyclist.

Two days later, on the Santa Ana Freeway near Santa Fe Springs, Rick L. Bynum, 24, was killed by a motorist with a .38-caliber pistol. Mr. Bynum's girlfriend, who was driving the car, said the motorist appeared upset that she had not pulled over to let him pass immediately after he signaled her with his headlights.

On July 18, Paul G. Nussbaum, 28, was shot in the neck after a dispute over the roadside right-of-way on the crowded Newport-Costa Mesa Freeway. Albert C. Morgan, a 32-year-old roofer, was later arrested in connection with the shooting as he and his wife tried to drive into a nearby fairgrounds. Mr. Nussbaum remains partially paralyzed and in serious condition.

The second highway shooting arrest occurred two days later after a Northridge woman pursued and wrote down the license number of a car whose driver allegedly fired three times at her and a male passenger. Lewis L. Meeks, 32, an unemployed carpenter, has pleaded not guilty to charges of attempted murder.

Sergeant Lunn said the police had previously handled incidents involving motorists who brandished guns during highway encounters but had never seen such a rash of shootings.

Dr. Lobue suggested that it might reflect an increase in competitive pressures, saying, "You see it in business, in increased litigation."

The bloodshed is attributed to record traffic, hot weather and Californians' love of their cars.

The Highway Patrol. The hot weather — Sunday's high was 31 degrees centigrade (88 Fahrenheit) — and heavy road congestion did not improve drivers' personalities.

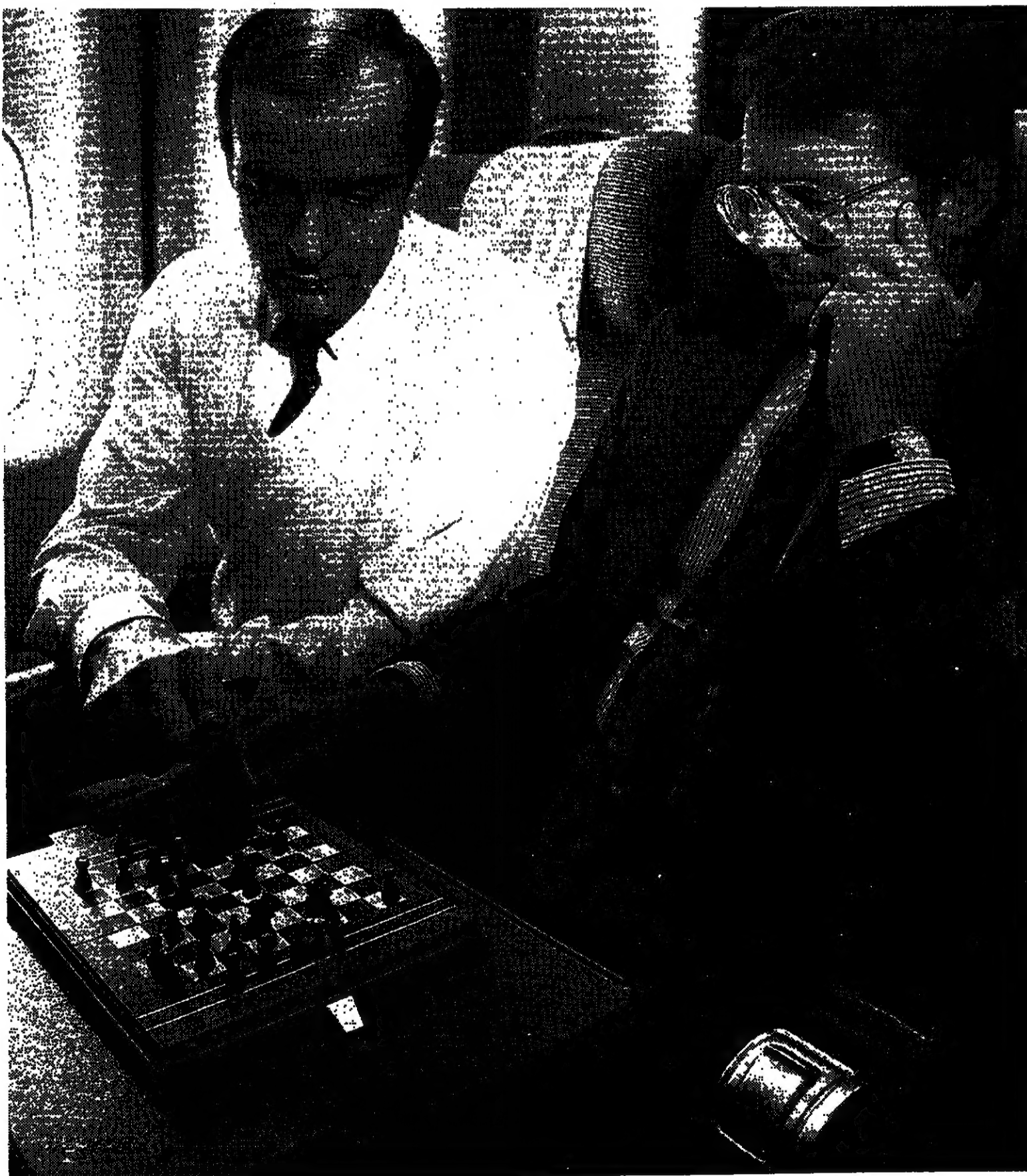
Sergeant Lunn and Dr. Lobue noted that Californians often identify strongly with their automobiles. More than 1.5 million motorists in the state, about 7 percent of the total, have vanity license plates, a higher percentage than in any other state.

"A man's automobile is his castle," Dr. Lobue said. Such territoriality and the stress of congested highway driving can provoke violence, he said. The police and psychiatrists also say that publicity given to the rash of shootings may encourage some emotionally disturbed drivers to add to the statistics.

"The scums now know that this is a crime

"You know when you've made a good move."

This is an authentic passenger statement.



Lufthansa

TO OUR READERS IN HOLLAND

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Another Dictator Totters

Let Pakistan Open Up

Other Comment

To use a 401,000-ton oil tanker as a minesweeper does not sound the most brilliant development in naval warfare. This initial setback has cruelly exposed the inadequacy of the U.S. Navy. It had years to foresee that it might one day need to protect its own ships, not mention those of its allies, from mines in the Gulf, but its nearest minesweeper was in Charleston, South Carolina.

It is [refragging] intended to be a show of force? It has already revealed weakness. Is it meant to provide a pretext for teaching Iran a lesson? Even supposing that it will, and attacks by mines of unproven origin do not serve the purpose, how severe is the retaliation to be? A raid of the sort which quietened down Colonel Gadhafi would be a mere pinprick to Iran. The Iranians have indicated during their seven-year war with Iraq that, unlike the Americans, they are, to put it

war less likely. It increases the danger that the war will spread. It worsens the risk that the greatest free nation in the world will be brought low. It should be avoided.

— *The Independent* (London).

The first thing for the Americans to do is to try to ensure that the deep water channel for shipping is free from mines. There will always be a risk that they have missed one, but they should try to lower the risk as much as possible by sweeping clear a path before each convoy. The next thing they should do is to make their effort as international as possible. While the British government is reluctant to become deeply involved, the provision of a minesweeping capability might be a contribution which this and other countries could very well make.

— *The Times* (London).

— *The Independent* (London).

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WELL, OK—
I'LL HOLD THESE
TRUTHS TO BE
SELF-EVIDENT.
HOWEVER...

The World Economic Train Enters a Dangerous Pass

CAMBRIDGE, Massachusetts — The central economic problem is not the next recession but a prolonged slowing of the world's economic train. The way into the next recession, when it comes, will lead over territory so unfamiliar that we may not realize where we are headed. And the climb back to prosperity may be unusually difficult.

For a decade and a half now, world economic growth has been slowing. The slower growth of the 1970s was supposed to have been produced by the rise in world oil prices and the need to fight inflation. But it has been followed by even slower growth in the 1980s, despite falling oil prices and no inflation. The boom that had followed the decline in oil prices plunged in January 1986 did not happen. World economic growth became worse.

All of this has been little noticed inside the United States because the slowdown has been less dramatic than elsewhere, unemployment has continued to fall and the country has been living high on borrowed money. But a stagnant world economy will eventually, inexorably, drag America down with it.

From 1945 to 1961, American recessions arrived by the calendar. Since then, the demand for U.S. goods (military spending in 1954, autos in 1957) would fall and the government would rush to the rescue with Keynesian economics—more money, lower interest rates, tax reductions or increased government spending. More recently (1962-1963), recessions became instruments of macroeconomic policy making, deliberately started by government in an effort to stop inflation. But the recession now on the horizon starts abroad because of the imbalances in world trade and then spreads back to the United States. The U.S. has been a net importer of goods and services since 1977. The demand for U.S. goods from foreign demand, as a result, is less four million

By Lester Thurow
This is the first of two articles

foreign factories are dependent on the U.S. market for their livelihoods. When America's trade deficit grows, they will lose their jobs. Taking \$170 billion in demand and four million jobs from the rest of the world and it is plunged into a recession.

The falling dollar has begun to cure the U.S. trade deficit. Improvements are as yet small; the dollar has much farther to fall. The only uncertainty is how far it will have to fall, and how long it will take, before the U.S. trade position swings from its current deficit to a surplus big enough to earn the funds to pay interest on America's foreign indebtedness.

Foreign exports to the American market are not yet falling rapidly, but West Germany and Japan account for much of the edge of recession. Exports to these two countries fell in the first four months of 1980, and now begin reviving downward. For 42 years both countries have relied on U.S. growth and U.S. countercyclical policies to save them from recession. Neither has been able to grow unless exports were rising. Yet if the U.S. trade deficit is to shrink, both must face a long period of declining exports.

To fight recession, West Germany and Japan will have to restructure their economies to be internally, not externally, led. Japan, for example, will have to make a major shift away from export industries, such as consumer electronics, toward domestic industries, such as housing. Such shifts require time and generate intense opposition. The Japanese government, that loom in Japan and West Germany are apt to be lengthy.

These foreign exports represent a variety of eco-

Bolivia's Debt-for-Nature Swap Sets an Example

PORTLAND, Oregon — Bolivia's commitment to protect some 1.6 million hectares (4 million acres) of forest and grasslands in the Amazonian lowlands of the Beni River in return for debt relief of \$650,000 signals a new and promising approach to two of Latin America's most pressing problems: the debt crisis and environmental degradation. Now it is up to corporations, philanthropies and public agencies, notably the World Bank, to carry out such plans on a larger scale, as has already been suggested to the widespread destruction of Brazil's Amazon rain forest.

The debt-for-nature swap with Bolivia works like this. Armed with a \$100,000 donation, Conservation International has agreed to purchase \$650,000 of deeply discounted Bolivian debt, which will then be turned over to the Bolivians to retire. For its part, Bolivia is putting together a public-private partnership to develop a program that combines ecosystem conservation and regional development planning in the Beni region.

The newly protected land will be zoned for a variety of uses: undisturbed areas will be left alone; some

By
Mr. Beebe
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Spencer B. Beebe and Peter W. Stroh
is president of Conservation International, an organization that
logical diversity in developing countries. Mr. Stroh is chairman
Brewery Company and a director of Conservation International.

For research, forest re-
covery, traditional hunting
and by native Chiriguano In-
dians will be allowed; watershed
will be productive, sustainable
and agricultural develop-
ment encouraged.

In the development in the Beni
will be based on ecological con-
servation, future productivity of
the forests, along with grasslands
will be protected, and with full
protection of birds and animals.
The approach should not be limit-
ing to a few and a few other for-
eign countries. Economical-
ly, many countries
beyond their means. Heavy
costs sometimes encourage
to use their resources with-
out for the future. The result-
ing loss of natural resources
will have long-term economic and
social and stability.

Many African countries are a
way from that road, as are Haiti and
to a lesser extent, El Salvador. The
vicious cycle diminishes both the
veracity of life on Earth and the social
and economic choices available to the
vast majority of the world's rural pop-
ulation.

In the Beni region, the Bolivians
have demonstrated overriding prin-
ciples, the first of which is that sov-
ereign countries must solve their own
problems, and that the world cannot
cause, but no amount of money
direction from outside will build
national capacity and the international
commitment necessary.

The second principle is a recog-
nition that economics and ecology have
converged, and that the problems and
solutions are inextricably intertwined.

Merced, Brazil and Brazil
have an abundance of biological
diversity and foreign debt. New pri-
orities and legislation are needed to

'We Both Hear Only One Side . . .'

LONDON — "I liked being in Russia and I liked the Russians I met when I was in the first Lenin school crossed into Finland, I felt as if I could breathe again," said Sara Hobbs, 15, of Williams Bay, Wisconsin. "Suddenly the sun came out for the first time in a week; we saw all the food we wanted, and the houses were painted," said Juli Thompson, 18, of Glen Elgin, Illinois. Jeff Decicco, 16, of Hinsdale, Illinois called out, "Welcome back to the wonderful world of multiple choice."

They were back after eight days in the Soviet Union, the first of a high school student traveling through Europe as part of a program started 25 years ago by President Dwight Eisenhower. The People to People High School Student Ambassador Program of Spokane, Washington.

I had met them and their leader, Gretchen Mahin, a teacher from Arlington Heights, Illinois, as we all flew from New York to London. We agreed to meet again in London after they had seen the world — or at least the Soviet Union, Finland, Sweden, Denmark and England.

In a month they saw and heard a great deal, meeting officials and students living under both communism and democratic socialism. They saw long lines of people waiting to buy bread in Moscow, and they saw families enjoying the free medical care of the Scandinavian welfare states. They discovered that sickles, which they had seen swung only in horror movies, were actually tools used to cut grass and harvest wheat.

And they understood what they saw. By the time of our reunion, these teenagers were more concerned than some presidential candidates, and they knew about the trade-offs of liberty and security, their people

By Richard Reeves

trust make, or have made for them, in governing themselves. My new young friends seemed to be extraordinarily intelligent and independent-minded.

"The Russians seemed obsessed with their own history; their lives revolved around it," Miss Hobbs said. What, I asked, does American life revolve around? "Our future," said Bryan Post, 16, from Palatine, Illinois. "I told someone I hadn't decided yet what was going to be," said Debbie Hoppe, 18, who had just graduated from Main West High School in Des Plaines, Illinois. "He looked at me funny and said, 'You decide yourself!'"

"I'm not sure the people our age we talked with believed that Americans can just get up and go whenever they feel like it," Miss Hobbs said. "I think the big difference, mobility, is that the Americans can go wherever they want. I don't know what you can't do," said Mr. Post. "I realize now why people decided to start America in the first place."

"But I also learned that America is a cruel country," said Mr. Decicco. Others surprised me by nodding. "You only get what you can pay for," he continued. "You're all by yourself. It's all up to you." And Miss Hobbs said, "America is sink or swim."

The young ambassadors were confident enough to criticize their country because they had learned to defend it, and not just in the Soviet Union. Swedes, Danes and Finns pushed them about America's homelessness—the whole world was watching, in the Soviet Union, because they had learned to talk enthusiastically about Afghanistan, the Chernobyl disaster and the fun-

Eliot wrote, is to come back to the place where we began and to know it for the first time. The young ambassadors from middle America came back appreciating the luck of being born in America, and having a better appreciation of living under the world's freest system.

They had learned a good deal about the difference between experience and propaganda—a word they used over and over again. "The Russians we met didn't know anything about some things, like the purges," said Debbie Hoppe said. "They're just pumped full of propaganda. But we are, too."

"We got more propaganda in our state Department briefings in Washington, particularly all that silly stuff about Central America," said Miss Thompson, "than anything I saw in the most vicious anti-American posters in Moscow."

When I asked what he learned in school, I thought what a waste of a country that was about to invade us any day," said Mr. Decicco. "What I saw was a country that will take 100 years to catch up with us. If anyone tells me the Russians are taking over, I'm going to say, 'You gotta be kidding.'" But, I said, you saw their military everywhere; aren't you afraid they will start a war, against what they want? "No way," said Chris Walsh, 16, from Libertyville, Illinois, and the others nodded.

"They thought it was us who wanted a war, and we said, 'No, it's you,'" said Heather Litcoy of Hinsdale. "We both hear only one side. From now on, most of us here are going to learn a little more about things on our selves before we start talking."

The World Bank's plan to increase its environmental staff from 15 to 100 is promising. So was a speech in which its president, Barber Conable, said that "the problems of natural resource degradation are development problems" and "we must find a way to bring the scope of our enterprise and the vast unmet needs of the world's poorest people into the same vision." As the holder of \$100 billion of dollars of Third World debt, the bank has an important opportunity to encourage conservation while easing the debt burden.

The U.S. Agency for International Development's \$2.5 million fund for biological diversity should be greatly expanded. Beyond that, the U.S. Congress should clarify the tax laws to permit charitable foundations for conservation. The U.S. Treasury should encourage foreign debt holders to international conservation organizations.

Debt-for-nature swaps and other innovative financial tools should be encouraged. The sum of Latin Ameri-

ca's external debt, plus "blocked funds"—money belonging to multinationals, national corporations being held in foreign countries in local currencies—probably approaches \$300 billion. Obviously, not all of this money can be repaid. The only way to pay more than what can be swapped for land or local currency to fund better land management, the more the twin problems of Latin debt and environmental degradation will be reduced.

Debt-for-nature swaps offer not only the promise of better protection for threatened biological diversity, but also the possibility of greater environmental awareness for the poor countries that take steps to protect their natural heritage. Tourists will come in increasing numbers to visit these "museums of the outdoors."

Whatever is done to help solve the world's interrelated problems of ecology and economics, it should be done in the context of helping sovereign nations determine their own future.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: On Trial in Korea
NEW YORK: [A New York Herald editorial says:] Japanese justice is to try, before the world, Japanese, alleged Christians, who are accused of having been the conductors of the plot to assassinate the emperor. It is said that any trial in Korea, and there is no sign that any effort is being considered to change the procedure. The facts are plain. One hundred and twenty-three "converted" Koreans are accused of having entered into a conspiracy to assassinate Count Teruzaki, the Japanese Governor General of Korea, and are on trial. Twenty American missionaries, men whose names are known and reproach and whose life work has been devoted to Christian uplift, are made co-defendants with the Koreans. The Americans have been given no chance to defend themselves, yet the Judge has refused to allow them to be called as witnesses.

1937: Terror in Belfast
BELFAST — Armed gangs of Irish Republican extremists spread terror along the Ulster-Free State border in the heart of Belfast (on July 2) while King George and Queen Elizabeth both were arriving for a nine-day tour commemorating "Victory" in 1921, which ended the Irish Civil War. Mary came to Ulster to open Parliament and extremists killed several with a bomb at Dundella; today's royal visit was made the occasion for the violent reopening of the old scores between the Free State and the Orangemen of the North. Soon after King George and Queen Elizabeth had passed over the procedural route, on their way to Belfast's city hall, a mine exploded in a bonded warehouse a quarter of a mile away from the flag-bedecked parade, killing a huge number of soldiers. A huge crowd of spectators fled in confusion.

NATO Needs A Touch-Up, Not Surgery

By Flora Lewis

BRUSSELS — Lord Carrington, secretary-general next year. The hint, sticking to name his successor has begun. Typically, Peter Carrington, the British foreign secretary, is the diplomatic to discuss the candidates. But he makes one important point. "I am of the World War II generation," he said. "I marked me for life — my outlook, the way I think. The next secretary-general should be of the postwar generation."

The observation goes beyond personalities to the heart of NATO problems, reflected in an unusual outpouring of proposals from both Americans and Europeans for drastic change in the structure of the alliance. Practically all of the suggestions, from such people as Henry Kissinger, Zbigniew Brzezinski, former President Jimmy Carter's former chief of staff, and former Chancellor Helmut Schmidt of West Germany, are impractical, unreasonable, even outrageous.

Warnings of a new era, such as the North Atlantic Treaty Organization, and the alliance has survived and kept the peace. But the low level of active dissatisfaction is a true measure of the stifled antagonisms, rigidity of habit and lack of political suppleness with which NATO continues to operate.

The latest wave of discontent was provided by the Reagan-Gorbachev summit meeting in Reykjavik, which threw American's allies into shock. Lord Carrington feels it is untenable now, although it left sore spots.

The Europeans are not like only grumblers. While Ollie North was in the shaying around conducting domestic strip foreign policy with unappropriated money, Washington was not paying much attention to the Soviet Union NATO diplomacy. The new Duke of Wellington, one of the resident generals, Bernard Rogers was moved to great discontentment that Washington replaced him as supreme commander.

There is still no galvanizing thought, no real effort to look ahead, despite the clearly changing international landscape. It was only last year that NATO formally raised a 12-year-old provisional policy on nuclear issues requiring a "careful web" of nuclear options with weapons of increasing range; a high level of accuracy for these weapons; and that the supreme commander request authorization to use nuclear weapons if he deemed allied forces were losing "cohesion" under enemy attack.

against Soviet-American treaty, or intermediate missiles violate these guidelines. The gap between military and political planning has become a chasm in which generals can only flounder with obsolete orients. Neither the United States nor any other ally is trying seriously to reconcile the two.

Non-reaction to the Warsaw Pact proposal for staff talks on military doctrine, announced at the pact's East Berlin conference in April, is a glaring example. Everybody responsible agrees that there must be progress toward better balance of conventional forces in Europe to maintain security when nuclear arms are reduced. The offer for military talks could bring a more direct approach on conventional arms than the sterile negotiations now being dragged on more than a decade.

Western generals could ask the Russians why they think they need so many tanks and why they stock so much pipeline and so many emergency bridge sections if they are not contemplating an offensive. The Russians could explain what they see as threatening in Western dispositions.

Procurement, deployment, force structure and training presumably reflect each side's military doctrine. Talks could illuminate changes that might be made to lessen the feeling of threat without undermining security. NATO is not thinking about the possibility. No study is being made of what the advantages are to each of responding to the Warsaw Pact offer would be, it is being opposed because, as one senior official says, "That's not the way we do things in NATO. We have 16 sovereign nations. If this alliance wants to talk, let them put down a draft in the aims, reduction conference, or accept our last draft."

Neither NATO as an institution nor the governments that participate seem able to synthesize their goals and the military and political implications of measures to which they have long given lip service. They are stuck in a rut.

NATO is not out of date. The conditions that led to its formation have not disappeared, and none of the ideas for structural change would improve it or probably work as well. What it needs is stimulation to thought and curiosity. What it gets from Western leaders is old rhetoric.

The New York Times

AND 50 YEARS AGO

1937: Terror in Belfast

BELFAST — Armed gangs of Irish Republican extremists spread terror along the Ulster-Fries State border today in the heart of Belfast (on July 27, 1937) while King George and Queen Elizabeth both were arriving for a much-delayed state occasion visit. Just as in 1921, when George V. and Mary came to Ulster to open Parliament and extremists killed twenty with a bomb at Dundeliff, today's royal visit was inside the occasion for the violent reopening of the old wars between the Free State and the Ominous of the North. Soon after King George and Queen Elizabeth had passed over the provincial route, on their way to Belfast's city hall, a mine exploded in a bomb shelter, killing a guard and a mile away from the city center streets, leaving a huge hole in the sidewalk. Many a man had been

OPINION

When the Bridgeton Hit It,
The Mine Exploded a Myth

By Tom Wicker

NEW YORK — If anyone, from the White House on down, thought the protective presence of U.S. Navy vessels would guarantee safe passage for reflagged tankers through the Gulf, the mine that exploded against the Bridgeton should have dispelled them.

That explosion dramatized at the outset the high, probably unwarranted risks of this new American venture in the Gulf. Despite intensive minesweeping efforts by American, Kuwaiti and Saudi Arabian naval forces, the mine demonstrated what should have been evident from strong Iranian statements — that the convoys can and may well be attacked.

The incident raised, and during the very first convoy, the dilemma inherent in the reflagging scheme: whether and how to retaliate if Iran should attack.

It was not immediately established whether the mine was directed specifically against the American convoy that included the Bridgeton, a Kuwaiti tanker now flying the U.S. flag. The weapon could have been anchored in the sea lanes some time ago, or it might have floated into the path of the convoy. Such uncertainty may allow the United States to finesse the question of retaliation in this case, but the next time, or the next, that will no longer be possible.

If a ship flying the U.S. flag and under the supposed protection of U.S. naval vessels should be deliberately attacked and damaged by Iran — particularly if American lives were lost — retaliation would be unavoidable (unless President Reagan decided to withdraw U.S. forces, as he did in Lebanon). The question whether Mr. Reagan should have put U.S. flags, ships and lives in such jeopardy would be lost, at least for awhile, in the demands for a retaliatory strike.

But against what? With what weapons? And to what degree of destructiveness? A limited blow would all but surely invite new Iranian attack — which

then would demand another American response. That is the sort of lethal leapfrog that helped draw the United States into a shooting war in Vietnam, as President Lyndon Johnson retaliated for attacks on American forces in South Vietnam with the "Rolling Thunder" bombing raids on North Vietnam.

In that kind of creeping war, both to protect U.S.-flagged ships and to retaliate when attacked, the United States soon would need airfields in Saudi Arabia. Its carriers cannot operate safely in the Gulf and would be too far south to provide the necessary planes, day in and day out, in the northern Gulf.

Saudi Arabia has given no indication that it would let the United States use its airfields for such purposes; the Saudis can imagine what the Iranian response would be if planes from Saudi bases should attack Iran. The Saudis want no part of war with Iran, and may fear that any U.S. use of their airfields would be taken in Tehran as an act of hostility.

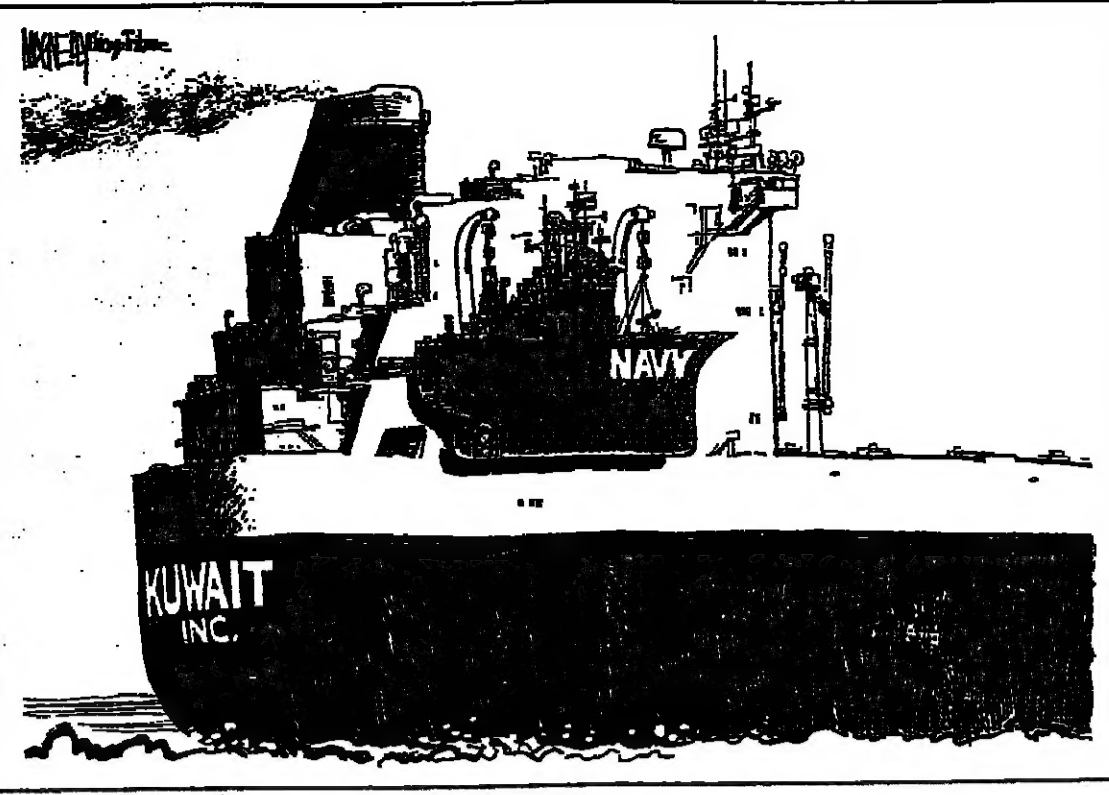
If it is argued that Iranian attacks on U.S.-flagged ships in the Gulf would justify not just an occasional response but an unlimited American effort to knock out Iranian air and naval forces, that is to say the administration should be willing to go to war with Iran to carry out its reflagging policy. No doubt many Americans would like to hit the Ayatollah Ruhollah Khomeini hard, but the consequences of such a war, aside from whether victory would be easily achieved, could be disastrous.

Would Moscow stand idly by while the United States asserted such power virtually on the Soviet Union's doorstep? Israel might not wish to see Iraq thus freed from its consuming war with Iran. The Third World would be embittered by a big-power attack on Iran. What about terrorist activities? Surely such a war would destroy the hopes for an Iranian-Iraqi peace that have been raised by a United Nations cease-fire resolution backed by both the United States and the Soviet Union.

It would be consoling to think that the Reagan administration had considered all these problems coolly and realistically and concluded either that they could be overcome, or that the European allies' need for Middle East oil, as well as the goal of "keeping the sea lanes open," outweighed the risks. Unfortunately, we know that the reflagging scheme was a hasty and reflexive response to the Kuwaiti hints that they might turn to Moscow, thus "letting the Soviets into the Gulf" — though Soviet ships are there anyway, and any map of the region will raise the question why they should not be.

Besides, after the Iran-contra fiasco, how can anyone believe that this administration acts on sober judgment, or can separate its ideological nightmares and its dreams of glory from the hard facts?

The New York Times



LETTERS TO THE EDITOR

Sri Lanka's Agony: The Reality Is Much More Complex

Paul Johnson, in the opinion column "Gandhi Plays a Dangerous Game in Sri Lanka" (June 18), presented the problem from the point of view of the most extreme, chauvinistic Sinhalese. It is true that many such Sinhalese believe the myth that they are a chosen race, Aryans selected by divine providence to protect a unique Buddhist civilization, and that they are threatened by Hindu Dravidian hordes from the Indian mainland spearheaded in Sri Lanka by the Tamil minority. But reality is much more complex.

The Buddhist Sinhalese, the writer says, are divided from the people of the Hindu mainland "by a deep chasm of religion, race and culture." In fact the religions are inextricably intertwined. Buddhism is a child of Hinduism. Sri Lanka's Buddhist temples are full of statues of Hindu gods.

And what of the "deep chasm" of race? The constant movement of peoples into, out of and through this island for thousands of years makes nonsense of this dangerous myth. What of the fishermen on the northwest coast who regard themselves as Sinhalese but speak Tamil? Like many Sinhalese, they are immigrants from Dravidian India. What of President Junius R. Jayawardena, whose great-great-grandfather was a Tamil immigrant? What of the millions of other Sinhalese whose origins are too mixed to be racially distinguishable?

A "deep chasm" of culture? The most superficial contact with Sri Lankan culture reveals the striking similarity between the customs and lifestyles of the Sinhalese and those of southern India, notably the Dravidian state of Kerala.

As to the Tamil Tigers, who "have openly demanded a separate sovereign country in the north, reinforcing their demand by a merciless campaign of terrorism," the writer makes not the smallest effort to account for their actions. Growing discrimination against Tamils accompanied by rising violence against their peaceful protests culminated in state terrorism against them, and this created Tamil terrorism in response. The horrific terrorism of Tamil extremists is a Frankenstein's monster created by Sinhalese extremism and shortsightedness — and I saw the carnage caused by the bomb in Colombo on April 21.

Sri Lanka's Tamils have made plenty of mistakes and have contributed to the present hideous conflict. But the basic responsibility must lie with the politicians who have dominated Sri Lankan affairs for the past 30 years. Too many of them whipped up Sinhalese chauvinism for their own ends. Now they are reaping the whirlwind; thousands of innocent Sinhalese and Tamils are being cut down by it. Happily, there are plenty of liberal-minded Sinhalese who are appalled at what has been done in the name of their people. Unhappily, they have little power or influence.

Dangerous misinformation can only further inflame the ugly passions that have caused the deaths of thousands.

JOHN RETTIE,
Colombo, Sri Lanka.

How to Deal With Iran

The problem in dealing with Iran as William Pfaff recommends ("What to Do

About Iran? Stay Away," July 24) is that the Iranians come after you. Witness the hostage takings in Lebanon, the bombings in France and the recent car bombing of an opposition leader in London.

But Iran has a pressure point that Western leaders must have chosen to ignore. It is so obvious. To finance the war against Iraq, Iran must export all its crude oil through the Strait of Hormuz. It also has to import refined petroleum products and foodstuffs by sea to keep its war effort going.

A blockade of all shipping to and from Iran would quickly give Iran's leaders a choice: Either cease those activities Westerners find so objectionable (including interference with Gulf shipping) or lose the war.

Of course, such a blockade would require the silent consent of the Russians, but this should be possible to obtain. The Iranians might then find it in their interest to conform to accepted standards of international behavior.

C.B.
Geneva.

Snookered in Pocatello

I enjoyed immensely the articles on the fascinating game of snooker (June 30). But snooker is no stranger to America. I first learned to play the game in 1950 in a pool hall in Pocatello, Idaho, named Freddy's Sport Shop, where snooker tables outnumbered pool tables two to one.

But you were dead right about the relative subsidies involved. The skillful in Pocatello played snooker; the crash-bang slammers stuck with pool.

STEPHEN KLEIN,
Ulm, West Germany.If You Can't Pass or Kick It,
Try Giving It a Good Whack

By Judson Gooding

PARIS — There are many degrees of misfortune, some severe, some trivial, but one sort that is particularly vexing for men is ineptitude in throwing and catching round objects. By this I mean balls of all sorts, and I suppose I should broaden it to include pointy-ended leather-covered bladders and flat discs made of hard rubber. Men are supposed — expected — to be handy at passing and receiving these objects, and if they aren't, they get a pretty small hello around the locker room, not to mention a lot of other rooms.

Where the vexation becomes a genu-

ine, if modest, misfortune is in cases like, for example, mine, in which the inept person is enmeshed in a whole galaxy of games that require good synchronization, sensitive touch and intuitive timing in order to excel. To want to play but not to be good at games is hard indeed. I have spent large swatches of time over several decades trying to persuade my psychomotor skills to shape up. They won't. I am as poor at tennis today as if I had never had a lesson.

Children can usually beat me, and this despite years of close attention, lessons and racket changes. At one point I even bought a house with a tennis court in back, in the mad delusion that proximity to a court would somehow make my game improve. Right? Wrong.

In hockey it has been the same: red-hot skater (skating does not require the timing that a good pass shot does) but of the most limited ability in making plays or shooting goals. Four years of trying at boarding school got me on the second or third team, while my contemporaries — even those from the South where ice was then not all that common — were on the first team. At Yale, I managed to get on the varsity by whizzing around the rink at great velocities, but the coaches saw their mistake as soon as I got involved in plays, and down I went to the lower levels of hockey ignominy.

One would think I would have learned. Games requiring adroit handling of round objects just were not for me, however much I longed to play.

But no. On and on it went. Squash. Darts. Baseball. I caught a high fly in the left eye and was removed from the team. Soccer. Loved the game, had the speed, but when I passed to a teammate to set up a goal, the ball usually ended up with the opposition.

Some time ago I went once more bravely into the breach. I had read about bicycle polo, and it sounded like a really swell game — fast, demanding and fun — with a slight hint of silliness about it. This, I thought, might make it all a little bit less serious than the games that people increasingly play for money rather than for fun, and thus, ineptitude

might not seem so grave an offense. Bicycle polo is not a game one takes up on a whim. It requires first persuading a number of others — preferably eight or ten — to come out and play, when many of them would rather be boating, on the golf course, fishing, or even reading something. Then you have to line up a large field, with goals at each end, and get permission to use it for this rather zany purpose. Then obtain a supply of sturdy but low-value bikes, plus a dozen short-handled polo mallets and a half dozen or so of the very special balls, made of bamboo or willow root.

All this I did, in my insane desire to try a game at which I had not yet been proved inept. We played. Soon my recruits were outshooting me — the founder, the captain! We went to an international tournament on Long Island, and under my inspired captaincy put together the worst score of the day, against a team of sinisterly professional-looking players from Chicago, who had matching uniforms and a traveling repair truck to fix their battered bikes. They even had substitutes!

Billiards seemed to offer some promise for one not blessed with Olympic-level coordination, since the balls stay on the table, or are supposed to, and shots can be planned as pure geometry, with as much time as is necessary to plot them. What could be more inviting for the nonathletic? But again, the old eye-hand coordination didn't work, even after — yes — buying a grand, huge old table so as to get plenty of practice, and working out on it for eight years. Another miss; another vexation.

What it all comes down to is that, in the United States, you are supposed to be good at sports. Women do not have to be, though they must feel the pressure increasing, but men do. The tough part is that if you lack that fabled hand-eye coordination that makes good athletes good, there is nothing you can do; no amount of desire or training or conditioning or practicing will bring you very far up from your normal level of incompetence.

Of course, there are always other games to try. Perhaps marbles, or pelota — ... Petanque? Croquet, anyone?

The writer, a journalist and author living in Paris, is founder and co-captain of the Bedford (New York) Bicycle Polo Team. He contributed this confession to the International Herald Tribune.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

NOTES ON A CENTURY

Reliving the Colorful
Origins Of International Polo

By Eric J. Gertler

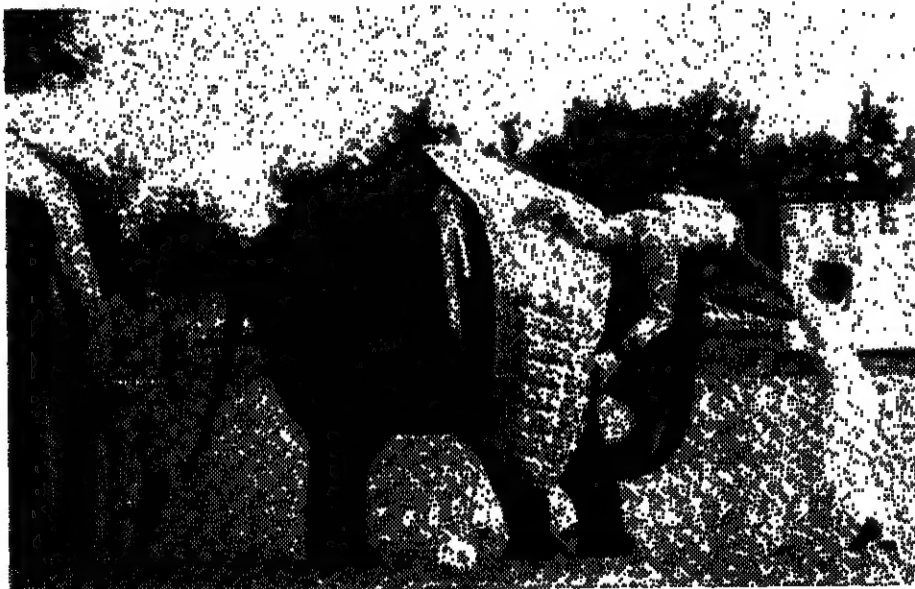
When James Gordon Bennett, Jr., the IHT's founder, visited England in 1876, he discovered a strange and fast-moving sport played on horses. Bennett didn't quite understand the rules nor the tactics of the game he soon learned was called polo. Then again, few did, for polo had only recently come to England from India. But the day's march fascinated him.

With a supply of mallets and balls, and a copy of the Hurlingham rules for polo, the eccentric millionaire returned to the United States, keen on sharing his new-found interest. The following spring, the first polo match in the United States was played at Jerome Park Racetrack in Westchester County. Bennett even captained one of the teams. Polo was born in the United States.

Bennett soon channeled his energy in other directions. But his initial push was enough to launch polo as a serious American sport. Less than a decade later, even as Bennett was bringing his New York Herald to Europe, a British polo team traveled to the United States to participate in the first polo match between these two countries.

On July 16, as part of its centennial celebrations, the IHT commemorated Bennett's contributions both to international journalism and international sport by hosting a polo day at the exclusive Royal County of Berkshire Polo Grounds. IHT Managing Director Robin Mackichan and his London team handled the arrangements.

The highlight of the day pitted an American polo team, chosen by the U.S. Polo Association, against a British team, fielded by the Berkshire Polo Club. Competing for the James Gordon



Champion show jumper Lucinda Green receives a helpful hand from her mount, or elephant driver, as she falls during the IHT elephant polo match.

Bennett Centennial Trophy, the two teams seemed to replay their 1886 match, which was uncontestedly won by the British team. Indeed, an excerpt from the New York Herald's eyewitness account of the first match could equally well have described this summer's contest. "The American team individually rode as recklessly, and, they, if anything, displayed more individual dash and go but that ends the story. They lacked cohesion and the systematic play of their opponents rattled the ball wherever the striker listeth."

But anyone accustomed to polo knows that the game itself is only a small part of any polo match, an appropriate backdrop for an elegant party.

The IHT's recent match was no exception. Following a champagne luncheon for nearly 800 guests, the day's festivities began with the eloquent bagpipe music of the Pipes, Drums and Bagpipes of the 6th Queen Elizabeth's Own Gurkha Rifles.

A different twist to the game-polo played on elephants — was seen before the

pony polo match. Although elephant polo is a serious, competitive sport in southern Asia, it had never before been played in England. As legend goes, elephant matches often accompanied pony polo tournaments nearly 150 years ago when England controlled India. Since 1983, Nepal has hosted the annual world championships of elephant polo.

In England's first elephant polo match, the British national elephant polo team took on a celebrity team, which included such British stars as Dennis Wareham and Rula Lenska. Stuart Copeland, the former drummer of the rock group Police, played for the British national team.

Although the game ended in a 2-2 draw, it was difficult to take seriously three-ton animals pounding around a field after a 14-ounce ball. In fact, the liveliest moment of the match came when the show jumper, Lucinda Green, fell off her elephant and proceeded to score a goal by outracing the animals on foot.

Perhaps the most fitting description of elephant polo

was that of a spectator who witnessed a recent game in Nepal: "It's like playing one-handed golf from the top of a double-decker bus with a puncture."

Marc Payne, co-captain of Britain's team, upholds the integrity of the game. "Elephant polo has got everything to offer. It's a healthy sport played outside that requires great eye-ball coordination," says Payne.

Today, Bennett's name is most closely associated with journalism. Few remember that he introduced racing on yachts, balloons, automobiles, motorboats and airplanes to the world. As American polo historian Newell Bent writes, Bennett was "one of the most liberal patrons of sport our country has ever known." Who knows, had Bennett traveled to India in 1876 instead of England, the elephant polo match might have been the main event on July 16 and not just an exhibition.

This is the 25th in a series of messages about the IHT which will appear throughout the Centennial year.

Marlboro



Marlboro,
the number one selling
cigarette in the world.

French Magistrates Lead Anti-Terror War

By Julian Nundy

International Herald Tribune

PARIS — His name has been featured daily on television and radio news programs over the past month. But, although he is the catalyst in a major diplomatic crisis, little more than his name is known to the French public.

Only one photograph of him has been published. The picture, in the newsmagazine *L'Express* last week, was so blurred that the subject was unrecognizable.

The man is Gilles Bouloque, 37, a judge d'instruction, or examining magistrate, one of the investigators involved in France's fight against terrorism.

Mr. Bouloque's fame comes from his determination to interview Wahid Gerdji, an Iranian Embassy interpreter, about terrorist bombings in Paris. His insistence on talking to Mr. Gerdji eventually led France to break diplomatic relations with Iran on July 17.

The embassy staffs of both countries are holed up in their missions in Paris and Tehran awaiting repatriation and the French Navy in the Mediterranean has been put on the alert.

The situation has evolved slowly, with an accord allowing Italy to represent France's interests in Tehran and Pakistan to represent Iran in Paris, normally just a formality, taking until Monday of this week to conclude.

Now, Italy and Pakistan can start work for the return of the two nations' diplomats. But the fate of Mr. Gerdji and of Paul Torri, a

French diplomat accused of various crimes by Iran, is likely to be a major obstacle.

Mr. Bouloque's insistence on seeing Mr. Gerdji, who does not have diplomatic immunity, was at variance with an unwritten French custom of not allowing such matters, however serious, to damage relations with radical Middle Eastern nations.

But it is consistent with a counter-terrorist policy that has developed since the conservative government of Prime Minister Jacques Chirac came to power in March 1986.

Swiss Free Bombing Suspect

The Associated Press

BERN — Switzerland freed a Lebanese terrorism suspect on Tuesday who was wanted by France in connection with a bombing in Paris in September, the Swiss authorities said.

A French extradition request citing the charge of belonging to a criminal group was rejected because the offense does not exist under Swiss law, said Josef Hermann, spokesman for the Federal Prosecutor's Office.

The man was arrested Thursday at an undisclosed location on suspicion of violating Swiss explosives laws. He was released after questioning by the French and Swiss police over the weekend failed to produce evidence of wrongdoing, Mr. Hermann said.

Much of the pressure for this new attitude came from magistrates themselves, angered by failures to deal adequately with suspects because of a lack of political will or because of interservice rivalries in the security forces.

In December 1985, one such magistrate, Alain Marsaud, called in an article in the newspaper *Le Monde* for a centralized service to handle all terrorist cases.

This service, the 14th Section of the state prosecutor's office, was created in September 1986 and Mr. Marsaud, 38, heads it.

In the meantime, Mr. Bouloque was investigating bombings claimed by a committee calling for the release of Georges Ibrahim Abdallah, a Lebanese guerrilla leader, and two other Middle Eastern prisoners. He was also involved in the Abdallah case itself.

Mr. Marsaud and Mr. Bouloque are two members of a small world in the Palace of Justice in Paris that is often fraught with danger.

Another, Jean-Louis Bruguiere, described in a recent book as an "ethnologist of terrorism," was the target of a failed bomb attack at his Paris home six months ago.

On Saturday, Mr. Bouloque charged two Lebanese suspects in connection with the 1986 attacks, which killed 13 persons and wounded more than 150. A total of 21 persons have now been charged, members of an allegedly pro-Iranian Moslem fundamentalist group.

Mr. Abdallah received a four-year sentence on terrorism-related charges in Lyon a year ago. Then, in February, he received a life sentence for complicity in the murders of a U.S. and an Israeli diplomat and in a failed attempt on the life of the U.S. consul in Strasbourg.

In July 1986, after bomb attacks at Christmas and in the spring had killed two persons and maimed several others, according to a book on the subject, "The Secret History of Terrorism" by Charles Villeneuve and Jean-Pierre Paret, an Algerian emissary told French officials that Algeria had information that the attacks would be repeated. Abdallah investigation continued.

Five attacks over 11 days in September killed 11 persons.

The U.S. Embassy, meanwhile, had protested the Lyon sentence and had become a civil plaintiff in the second case. While the French authorities said that the U.S. protest constituted interference, the move played a major role in bringing Mr. Abdallah to trial in February.

After the September attacks, the police sought one of Mr. Abdallah's brothers as a suspect. He held a press conference in his north Lebanese village the next morning to protest his inclusion.

Mr. Marsaud, testing theories that the brother could have gone straight to Ory Airport after the attack, flew to Cyprus via Vienna and taken a boat to Lebanon, then undertook the same trip himself as far as Cyprus.

His conclusion was that the trip was possible but that it had not occurred.

On the eve of the second Abdallah trial, a magistrate was waiting outside a Loire Valley farmhouse as the police arrested four leaders of the Direct Action urban guerrilla group. He was thus able to begin questioning when the suspects were under the shock of arrest.

The approach in both instances was typical of the activism that 14th Section magistrates show in their work.

As a result of their role, they are under constant police protection. Mr. Bouloque is said to have a retinue of six bodyguards.

There is little doubt that they could be prime targets for revenge. Mr. Abdallah maintained throughout his questioning that he only had two foes: Israeli Zionism and U.S. imperialism. France, he said, was not an enemy.

But, this, according to security sources, did not spare his interrogators. Mr. Abdallah, the sources said, told Mr. Bouloque and Mr. Marsaud when his questioning ended in December: "You are the two sides of the same coin: the American dollar."



NATO CHIEF REVIEWS TROOPS — U.S. General John R. Galvin, the new NATO commander, saluting an honor guard Tuesday on his first official visit to the Defense Ministry in Bonn. With him was the West German chief of staff, Admiral Dieter Wellerhoff.

White House Says Press Seeks to Destroy Reagan

By David Hoffman

Washington Post Service

PORT WASHINGTON, Wis. — The chief White House spokesman, Martin Fitzwater, has asserted that "some members of the press" are trying to "destroy" President Ronald Reagan over the Iran-contra affair.

He also defended Mr. Reagan's decision in November to conceal information about the Iran arms sales on the ground that lives of American hostages and some Iranian contacts were at stake.

"I frankly think that some members of the press are so hungry to try to destroy the president that they've lost all perspective," Mr. Fitzwater said Monday.

He was responding to reports over the weekend that notes of a White House meeting on Nov. 10 indicated that Mr. Reagan had decided to withhold the details of the arms-for-hostages deal from the public.

Profits from the arms sales were used to assist anti-Sandinista rebels in Nicaragua, known as contra.

The notes were made by Alton G. Keel Jr., then deputy national security adviser.

They were made public in full for the first time last week as an exhibit accompanying testimony by Secretary of State George P. Shultz before the congressional committees investigating the Iran-contra affair.

Mr. Keel's notes recorded the comments made by Mr. Reagan and his top advisers at a discussion of the sale of arms to Iran a week after the sales were disclosed by a Beirut magazine.

Mr. Fitzwater said Mr. Reagan is "disturbed" that this issue was so clearly reviewed by the Tower board and so openly discussed at the time and somehow the facts have been overlooked in this case.

The report of the Tower special review board, appointed by Mr. Reagan to look into the Iran-contra affair late last year, said:

"The board found evidence that the president's decision to withhold information from the public was motivated by a desire to avoid providing too much specificity or detail out of concern for the hostages still held in Lebanon and those Iranians who had supported the initiative."

"In doing so, he did not, we believe, intend to mislead the American public or cover up unlawful conduct. By at least Nov. 20, the president took steps to insure that all the facts would come out."

Mr. Fitzwater's sharp response came upon the diversion memo to Colonel North's files, and then the release of a 17-page written statement in which he emphasized his "limited role in the events" until November. He said he began his inquiry "plain and simple" to find out what the facts were and to report back to the president.

Questioning of Mr. Meese was led by Mr. Nichols, who began by asking the attorney general whether he had any knowledge that the Israelis had sold American-made weapons to Iran in the summer and fall of 1985.

As he has many times before, Mr. Meese said he was unaware of

the news reports marked a departure from the White House's approach of not commenting in detail on issues raised in the congressional inquiry.

On Monday morning, Mr. Fitzwater was seen conferring with Mr. Reagan on the presidential jet, Air Force One, as the president departed for a series of speeches in Wisconsin.

Mr. Reagan did most of the talking, gesturing forcefully.

Mr. Fitzwater then came to the rear of the plane and, referring to notes on a legal pad, said:

"President's comments on Nov. 10 were appropriate, honest and consistent with all his public statements."

Mr. Reagan has repeatedly said his administration tried to get out all the facts of the Iran-contra affair.

"He added, 'What the president was doing in that Nov. 10 meeting was trying to protect the lives of those hostages.'"

"This is an old story dealt with in its entirety in the Tower report."

U.S.-Egypt Maneuvers Set

The Associated Press

CAIRO — U.S. and Egyptian military forces will participate in maneuvers Aug. 15 to 20 dubbed "Bright Star 87," an Egyptian Army spokesman said Tuesday.

It will be the fourth in the series of Bright Star maneuvers, which have been held every two years since 1981.

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Charles S. Draper Dies; Scientist Gave U.S. Lead In Air, Space Navigation

By John Noble Wilford

New York Times Service

NEW YORK — Charles Stark Draper, 85, a pioneer in advanced guidance technology for aircraft and missiles and developer of the navigation system that guided Americans to the moon and back, died Saturday at Mount Auburn Hospital in Cambridge, Massachusetts.

Described by his peers as one of the foremost engineers of our time, Mr. Draper was a longtime professor of aeronautics and astronautics at the Massachusetts Institute of Technology. He founded MIT's Instrumentation Laboratory to develop his inventions applying gyroscopic principles for World War II gun sights and for the guidance systems that made possible intercontinental ballistic missiles.

Howard W. Johnson, a former chairman of the MIT Corp., said, "His research created a whole new industry in inertial instruments and systems for airplanes, ships, submarines, missiles, satellites and space vehicles."

Inertial guidance is based on the familiar principle that keeps a child's gyroscope top from falling: a rapidly spinning wheel will resist forces working to twist it from the plane in which it is revolving. For his guidance systems Mr. Draper used three spinning gyros, each responsive to only one direction of motion — up and down, right and left and rolling. These gyros formed a basis for a self-contained system that remembers an object's course of flight and can measure changes in that course.

The system devised by Mr. Draper for the moonbound Apollo spacecraft included a sextant and a computerized inertial guidance device that told the astronauts where they were in space, where they were headed and how fast. Such data were used to direct all the spacecraft's propulsion systems.

Doc Draper, as he was usually called, became a legend on the MIT campus almost from the day he arrived there as a student in 1922. A stocky man with a fighter's broken nose and a scrappy temperament to match, he was the kind of student who took professors on terrifying airplane rides to prove some point of aerodynamics. As a professor himself, he was a compulsive and creative thinker.

He was born in the small town of Windsor, Missouri. After two years at the University of Missouri, he transferred to Stanford University and earned a bachelor's degree in psychology in 1922, intending to become a physician. But on a trip East he visited the MIT campus in Cambridge, became fascinated with work in aeronautical engineering and decided to enroll. He learned to fly an open-cockpit biplane, earned another bachelor's degree and then a doctorate in physics in 1928.

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MUSEUMS: Austria Approves Funds to Rescue Art

(Continued from Page 1)

Naturhistorisches Museum. The second phase, from 1989 to 1991, includes renovations of the Kunsthistorisches, the Naturhistorisches and the Albertina Museum, at a total cost of 350 million schillings.

The museums' miseries have drawn worldwide attention and been a popular topic in *die Wiener Beisitz*, the local biweekly, since the museum directors first made the problems public in May, after years of bureaucratic procrastination and unfulfilled government promises of money.

ARTS / LEISURE

Ungaro, Lagerfeld Reach New Heights

PARIS — The once dormant Paris couture is continuing on the upswing, with both Emanuel Ungaro and Chanel's Karl Lagerfeld delivering brilliant collections on Tuesday. It is hard to believe that this is the same couture which, until recently, was reduced to making boring little suits. Once again, couture is couture — opulent, extravagant, extreme and damn the expense. Both designers rated roaring ovations for helping put Paris back at the pinnacle.

Ungaro's collection was sultry and Lagerfeld's romantic but both were stamped with the excellence

HERE DORSEY

of Paris workmanship. Clothes were made to perfection with the richest brocades, laces, satins, taffetas and velvets. Embroideries were literally out of this world.

Men should watch out. The gutsy gold digger is out on the prowl in Ungaro's collection. He brought back the sultry female, with shoulders, hips and lots of leg. Always a dangerous coquette, his woman walks with swinging hips, wiggling her derriere unashamedly. Otherwise, there is no way she could handle the stacks of ruffles, convoluted peplums, bustles and bows that Ungaro attached to literally every garment. This is clearly a case of the woman wearing the dress and not the other way around.

Faithful to his style, the designer kept the peplum suit, dramatic leg-of-mutton sleeves and cute little draped dress. But he pushed all these to the limit, going beyond the beyond with admirable abandon.

Nothing was low-key. The peplum suit featured three or four sets of ruffles, some of them twisted around and around in strong ripples. The same exaggeration could be found in collars, stacked two and three deep, and in pockets featuring several layered tabs.

With virtually no daytime clothes, his collection was dedicated to salon creatures and not to career girls. Even cashmere and woolen outfits were so elaborate that they were clearly labeled "for leisure."

Ungaro showed lots of long, modified dandy jackets, dipping in back and often adorned with a man's vest. These were brilliantly cut and a reminder that this designer's original talent was as a tailor.

The beginning was in grays and blacks, but the result was not sad because of the enormous variety in fabrics. Ungaro assembled several shades of black and gray until the end result was almost as potent as color. Black velvet touches, which were literally everywhere, provided a strong and rich look.



At Chanel, 18th-century theater curtain embroidery.

His is a very short look, with trumpet dress springing over miles of naughty petticoats. But often Ungaro combined short with long by attaching a heavily ruffled skirt that cascaded around the legs and dipped in back. Details included frilly pussyhats, lace paniers and embroidered or printed roses. The bride, in iridescent silver and soft parma, was not exactly virgin.

This collection was also distinctly angled at the United States where Ungaro has made a killing in the last few years. Among the American fans at his show was a newcomer, the recently married Veronica Hearst, who sported the largest diamond around. Escorted by her husband, Randolph Hearst Jr., she said she loved the little black dresses.

At Chanel, the collection was more Chanel than it has been in many a season. Although he did enough to change and update the style, Lagerfeld went back to the famous little Chanel suit. As Patricia de Castella, who heads the Chanel couture department, said: "When a woman comes to Chanel, she wants Chanel." She added that last season, after Lagerfeld tampered around with the look a bit too much, sales went down.

With a majority of American clients who have a passion for the Chanel suit, things are on a more even keel. This does not mean that Lagerfeld did not do a terrific job, but there was less madness and the changes were more subtle. The famous Chanel touches — camellias, contrasting braids, chunky gold and pearl jewelry, gold chains and buttons were literally everywhere.

Lagerfeld introduced a great deal of variety by contrasting jackets and skirts. He also has a way of fitting his jackets more tightly and this combined with the short, short skirts, made for a very young look. Another new beauty was the so-called "egg suit," with a long jacket gently rounded around the hips. The flat-topped boots, matching the outfits, were something else again.

Color contrasts — gray jacket with bright red cuffs — were another Lagerfeld addition and so were the jet-embroidered black velvet jackets worn with sporty red and black plaid skirts.

Lagerfeld outdid himself with several black velvet dresses, including one buttoned with gold buttons all the way down and featuring a daring lacy décolleté that plunged down and down. Strictly Lagerfeld, too, were the embroidered evening dresses — some so lavish that they have not been priced yet, de Castella said.



Extravagance and opulence in Ungaro's sultry look.

An eclectic connoisseur of 18th-century art, Lagerfeld went back to antique documents and came up with several smashing embroideries. One was copied from the curtains of Louis XIV theaters. The 18th-century pageboy outfit, with satin turquoise knickers and gold and turquoise embroidered camellia jacket, was worn by Inés de la Fressange, the house's star and Lagerfeld's favorite model.



"Follies," despite some flaws, is one of the most richly rewarding treats in London.

The Magic of 'Follies'

By Sheridan Morley
International Herald Tribune
LONDON — At a time when virtually all other London musicals are about scenery or nostalgia, the magic of Stephen Sondheim's "Follies" (at the 35th Street) is that it takes both these elements to pieces and puts them under a spotlight of considerable cynical doubt.

Written more than 20 years ago and originally staged on Broadway by Hal Prince and Michael Bennett in a 1971 production, which had as its inspiration a press photograph of an ancient Gloria Swanson

THE LONDON STAGE

standing amid the bulldozed rubble of the theater where she had first been discovered, "Follies" is a broken-backed and still oddly unfinished account of a group of ex-Ziegfeld girls coming together after 30 years for a reunion in the ruins of their old home.

For London, on a scaffolding set by Maria Bjornson that often threatens to be more eventful than the plot, director Mike Ockrent has had to find some local equivalents to the original American mix of ancient Broadway and Hollywood legends. Thus we get Leonard 35s as a master of ceremonies from "The Good Old Days," Adele Leigh from the Vienna Woods, Pearl Carr and Teddy Johnson from seaside sing-alongs, and Maria Charles from "The Boy Friend." We also get the splendid Margaret Courtenay belting out the first big hit of the evening, though here not so much a Broadway as a Broadstairs Baby, and that essential Englishness remains something of a problem.

So, too, does the fact that although Sondheim has written four new songs for this London premiere, most seem to belong in "Company" rather than replacing some strong originals here. But none solves the surviving difficulty of the second half, which is that James Goldman's reworked plot still runs out at the intermission. Up to that point, what we have is architecturally and musically a fascinating folly about the schizoid nature of nostalgia.

If you can imagine a spectacular cobbled together on a wet afternoon by Proust and Pirandello with a little help from the Bertins, Irving and Isiah, you'll have some idea of the scale on which it has been conceived. Old ladies are shadowed on stage by the ghostly dancers they once were, while an admittedly banal central tale about two of the chorus girls having married husbands destined for each other is surrounded on all sides by one of the most brilliant scores that Sondheim has ever devised — one that manages to recall three generations of Broadway musicals while simultaneously celebrating and parodying the very essence of big band shows.

The cast features Daniel Massey and Diana Rigg as the wealthy clenching upmarket couple, with David Healy and Julia McKenzie as the better-written pair from the back of beyond, and the new conclusion allows them to avoid nervous collapse while staying within those very rocky marriages, despite the reminder of how they once were meant to be cross-partners. All four take to Bob Avian's musical staging with a kind of edgy confidence. Four decades after "Annie Get Your Gun," Dolores Gray does the great hymn to grease-painted survival, "I'm Still Here," though it is only Rigg's acid "Could I Leave You?" and McKenzie's

heartbreaking "Losing My Mind" that reach the pitch of the recent concert performance.

The rest of a company of 40 get to stand around a lot, and after three hours we are left with the realization that although a much-revised Sondheim score has failed to find a perfect theatrical framework, it is still musically and lyrically one of the most richly rewarding treats in town.

It is also, of course, a musical about the death of the musical, and the continuing fascination of the show is the way it marks a crossroads in Sondheim's writing. "Follies" starts out as one of the well-made plots that might not have disgraced his great tutor and father-figure Oscar Hammerstein, but along the way it slides into the kind of concept evening that points to such later scores as "Merrily We Roll Along" and "Sunday in the Park With George."

From being an external study of several lost lives and careers, "Follies" grows into an internal examination of the nature of memory and nostalgia for which, in a series of solo turns that make up the second half in vaudeville format, the principal characters go back inside themselves to create interior monologues set to some of the most hauntingly brilliant of all Sondheim's songs.

There are numbers here that still can and do tug your heart out, but, as a whole, the new "Follies" is somewhat softer and more respectfully cheerful in dealing with the latter-day lives of its survivors. Instead of, as in the original, a man going quite literally into a breakdown during a song of self-discovery, we have a weary acceptance that in the end bad marriages can be saved or at least endured while people never quite manage the changes they most seem to desire.

either in themselves or in those they most love.

I have in the past been more than a little doubtful about the National Theatre's regular habit of staging the plays of one of its own resident directors. Peter Gill, especially when these often turned out to be poetic tracts of remarkable dramatic inactivity. But "Mean Tears," now in the Cottesloe repertoire, richly deserves its place there. A play about two gay lovers and the three other people who try without much success to adapt or kidnap their interlocked lives. It is in Gill's own production a bleached and spare but achingly powerful study of lust and loneliness among men and women supposedly equipped to deal with such social irrelevances.

This is a romantic drama that intelligently and movingly captures a clenched English intellectual world of lost friendship and sexual treachery, a world peopled by characters who have all the emptiness of a dead bottle of vodka.

But what sets Gill apart is his ability to reduce everything to the bare boards of Alison Chitty's setting: one of his central characters (a sturdily anguished Karl Johnson) would appear to be a writer or at any rate a teacher, since he is surrounded by books from the London library. Just the books — nothing so revealing as furniture or a flat that might locate him in any other way. The other principal is his bisexual lover, a flamboyant golden boy (Bill Nighy in a performance of superbly sustained total neurosis) who sleeps with anything that moves in the hope that it might also look after him.

In a sparse and staccato poetic language Gill has written a sequence of fine, bitchy, waspish dialogues about men in love, though not necessarily always with each other.

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IBM	30 3/4	29 1/4	29 1/4	+1/4
Amex	27 1/2	26 1/4	26 1/4	+1/4
Amgen	23 1/2	22 1/4	22 1/4	+1/4
Amgen	23 1/2	22 1/4	22 1/4	+1/4
Amgen	23 1/2	22 1/4	22 1/4	+1/4
Amgen	23 1/2	22 1/4	22 1/4	+1/4
Amgen	23 1/2	22 1/4	22 1/4	+1/4
Amgen	23 1/2	22 1/4	22 1/4	+1/4
Amgen	23 1/2	22 1/4	22 1/4	+1/4

Market Sales

NYSE 4 a.m. volume	172,658,000
NYSE prev. close	172,658,000
Amex 4 a.m. volume	11,000,000
Amex prev. close	11,000,000
OTC 4 a.m. volume	1,000,000
OTC prev. close	1,000,000
NYSE volume up	40,000,000
Amex volume down	1,000,000
Amex volume up	1,000,000
OTC volume up	1,000,000
OTC volume down	1,000,000

NYSE Index

High	Low	Close	Chg.
172,658	172,658	172,658	+0.00

NYSE Diary

Class	Prev.
Advanced	89
Declined	89
Unchanged	89
Total Issues	89
New Issues	89
Low Issues	89

Dow Jones Bond Averages

Bonds	Close	Chg.
Utilities	88.01	Unch.
Industrials	87.05	+0.05

NYSE Closing

Via The Associated Press

AMEX Diary

Class	Prev.
Advanced	89
Declined	89
Unchanged	89
Total Issues	89
New Issues	89
Low Issues	89

NASDAQ Index

Close	Chg.
172,658	+

NASDAQ Diary

Class	Prev.
Advanced	89
Declined	89
Unchanged	89
Total Issues	89
New Issues	89
Low Issues	89

AMEX Stock Index

High	Low	Close	Chg.
172,658	172,658	172,658	+

Odd-Lot Trading in N.Y.

Buy	Sell	15871
July 27	26,951	42,885
July 28	26,951	42,885
July 29	26,951	42,885
July 30	26,951	42,885
July 31	26,951	42,885

Dow Jones Averages

Open	High	Low	Last	Chg.	
Indus	2518.15	2537.16	2489.21	2519.77	+25.85
Trans	1029.27	1040.31	1021.19	1031.00	+1.71
Util	210.04	212.25	208.79	210.21	+1.42
Comp	934.12	941.63	934.88	934.43	+0.45

Standard & Poor's Index

High	Low	Close	Chg.	
Industrials	261.08	261.49	261.57	+1.24
Trans.	118.09	118.45	118.47	+0.38
Utilities	21.04	21.25	21.25	+1.71
Comp	312.33	312.99	312.31	+1.18

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Blue Chips Push Dow to Record

United Press International
NEW YORK — Spurred by strength in a handful of blue-chip companies, the Dow Jones industrial average soared to a record Tuesday as the stock market again confounded the skepticism that has greeted many of its recent advances.

The Dow rose 25.83 to 2,519.77, topping its previous record close of 2,510.04, set July 17. Advancing issues led declining ones by almost 3 to 2 among the 1,988 issues traded.

About 172.6 million shares were traded, compared with about 152 million Monday.

Analysts said about 11 points of the Dow's gain could be attributed to three blue-chip companies: American Express, Boeing and Merck.

The Dow transportation index joined the industrials in the record-setting move, climbing 1.71 to 1,058.09, its fourth consecutive record.

Stocks opened higher, aided by steady bond prices, a higher dollar and pronounced strength in a handful of blue-chip issues.

Equities briefly sacrificed some gains when the bond market, jittery about imminent huge Treasury refinancing, and the dollar slipped in mid-afternoon trading. Stocks quickly recovered, however, and advanced into record territory.

"The market keeps going up, surprising most analysts who keep thinking it's going to go down," said Harry Vilcek of Sutro & Co. in San Francisco.

"People are uncomfortable with the all-time highs," he said, "but at the moment, there is very little downside risk. August should be a

barn-burner," Mr. Vilcek predicted that by early September the Dow will reach 2,600 or 2,700.

While three Dow components, Boeing, Merck and American Express, displayed special strength, weakness in such closely followed issues as IBM, Digital Equipment and General Motors supported widespread skepticism.

Trude Latimer, analyst at Josephthal & Co., said that in the week and a half since the Dow closed above 2,500 for the first time, trading had been marked by a "drying up of selling, rather than by aggressive buying."

Boeing was the most active NYSE-listed issue, soaring 7 1/2 to 53 1/2. Its directors said late Monday that the company had adopted what is widely known as a poison-pill plan, reacting to reported plans by an investor, T. Boone Pickens, to acquire more than \$15 million of Boeing securities.

Union Carbide followed, losing 1 1/2 to 28 1/2. American Express was third, climbing 1/2 to 36 1/2. The company said late Monday that its board authorized the repurchase over the next three years of up to 40 million common shares, or about 9.3 percent of the company's 429 million shares outstanding.

Merck jumped 3 1/2 to 18 1/2. The company boosted its quarterly dividend to 80 cents from 55 cents, approved additional purchases of its common stock and said it would consider a stock split at its November board meeting.

Other blue-chip issues gathered strength late in the session. AT&T closed at 31 1/2, up 1/2. General Electric rose 1/2 to 57 1/2. Kodak snapped on 2 1/2 to 90 and Bethlehem Steel jumped 1/2 to 18 1/2.

12 Month	High	Low	Stock	Chg.	Vol.	PE	52 Week	High	Low	Stock	Chg.	Vol.	PE
A													
20%	20%	20%	AAP	100	100	100	100	100	100	100	100	100	100
20%	20%	20%	ADT	100	100	100	100	100	100	100	100	100	100
20%	20%	20%	AGS	100	100	100	100	100	100	100	100	100	100
20%	20%	20%	AGS	100	100	100	100	100	100	100	100	100	100
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20%	20%	20%	AGS	100	100	100	100	100	100	100	100	100	100
20%	20%	20%	AG										

WEDNESDAY, JULY 29, 1987

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MADISON AVENUE

Interbrand Meets Challenge Of Naming the Nameless

By PHILIP H. DOUGHERTY
New York Times Service

NEW YORK — An Englishman named Murphy was working for Dunlop Tire in England when the challenge of naming a new product came up. His ad agency came up empty-handed and he couldn't find a special firm.

So John M. Murphy started one of his own, Interbrand. That was in 1973. Interbrand is now in nine countries including Britain, the United States, West Germany and Japan, charging the nameless \$30,000 to \$60,000 to fill the identity gap.

Interbrand's man in the United States is Charles E. (Chuck) Brymer, 27. He joined Murphy in 1985. On one wall of his New York office is the almost-mandatory shelf of clients' products, their names in plain sight, like Finesse from Helene Curtis; Clout paper towel from Kimberly-Clark; Magnum malt liquor from Miller Brewing; Bezeque light rum from Bacardi and the Spectra System for Polaroid.

There is no wrong way to come up with a good name, Interbrand's Mr. Brymer says.

Interbrand is certainly not alone in naming products. Agencies and new product companies get into it, as do graphics and identity firms, such as Lippincott & Margulies, which has a special unit headed by Jack Weller. Name Lab in San Francisco is also a specialist. A Texas company, Sabon Corp., produces a Namer computer program for do-it-yourselfers. McCann-Erickson bought one.

There is no wrong way to come up with a good name, Mr. Brymer said. With Interbrand, the naming process generally starts with a thorough briefing by the client.

Then six to eight panels are called together in various parts of the country. They are made up of creative people from outside the company, including English teachers, jingle writers and crossword puzzle fanatics. Interbrand also uses computers to generate names, and staff copywriters frequently hone computer-generated names to make them fit strategies better. Legal specialists check on whether the names are already in use.

The company also has a computer full of names — almost 15 years' worth — that were dreamed up for past clients and never used.

Satchi & Satchi's vast holdings now include Jamison & Leary Advertising, an American specialty shop for advertising to black consumers. Jamison & Leary is a subsidiary of Satchi's Backer Spielvogel Bates, which is itself the result of the recent merger of Backer & Spielvogel and Ted Bates Worldwide.

Jamison & Leary was founded three months ago by two black Bates executives who hearkened to a call from Donald M. Zuckert, the new Bates chief executive. He had announced that he welcomed new ideas.

Not that the idea didn't require a bit of selling on the part of Kathryn D. Leary, 35, president and chief executive, and Charles N. Jamison Jr., 34, executive vice president.

The new agency is announcing its first two clients: the Martinique Regional Tourism Development Agency and Gazelle International, a French manufacturer of skin-care products.

People

Winifred Barnes has been appointed senior vice president, management supervisor, at McCaffrey & McCall Direct Marketing, New York.

Robert Kupczman will join Chris Day, Los Angeles, as executive vice president and creative director.

Susan Chamberlin, Ellen W. Oppenheim, Elizabeth Rockwood and Sandy Mitchell were appointed senior vice presidents of Young & Rubicam, New York.

Carol Brady Blades has been named president and chief operating officer at Softness Group, a New York public relations firm, where she started in 1989 as an intern from New York University's journalism program.

BAA Soars on First Day

Stock Up 46% in Heavy Trading

The Associated Press

LONDON — The price of shares in newly privatized BAA PLC, which runs Heathrow and six other British airports, jumped 46 percent in heavy trading Tuesday, its first day on the market.

The stock opened at 142 pence (\$2.27) on the London Stock Exchange, up sharply from its partly paid price of 100 pence. The stock closed at 146 pence, down from a trading high of 157 pence.

About 3.7 million shares changed hands in the first five minutes. By the close, 130 million shares had been traded, more than one-fifth of BAA's stock.

Investors selling off a maximum allotment of 100 shares during the morning were said to have made a profit of £22, after brokers' fees.

The government sold 500 million shares in BAA, formerly the British Airports Authority, to the public for a total of £1.3 billion.

About two million people bought shares. Small investors, those seeking up to 1,000 shares, were allocated up to 100 shares after the issue was oversubscribed by 10 times.

Investors paid £1 a share immediately and are to pay the remaining 145 pence next May.

Departing from the custom in previous state sell-offs, the government also invited investors to apply for 126 million of the shares through individual tender offers.

That price subsequently was set at 283 pence, with £1 also payable now and the rest next year.

The seven stockbrokerage firms handling the BAA trading seemed to be coping with the volume, despite fears that they would be overwhelmed.

Britain has already sold off British Airways, British Gas, British Telecom and Rolls-Royce, the airplane engine maker.

Around 9.5 million Britons now own shares. Prime Minister Margaret Thatcher has pledged to sell off most of the remaining two-thirds of the former state sector.



Sir James Goldsmith on his yacht.

What's Jimmy Goldsmith Up to . . ?

Decision to Sell Occidentale Stake Perplexes Markets

By Jacques Neher
Special to the Herald Tribune

PARIS — What is Jimmy Goldsmith — Sir James Goldsmith, that is — up to now?

That question had financial markets buzzing Tuesday in the wake of Sir James's stunning decision Monday to sell control of his cornerstone holding company, Générale Occidentale, to France's Compagnie Générale d'Electricité.

Could it be health problems? Malaise stemming from a failed takeover attempt? Has he tired of France and lost faith in the government's conservative program? Or is he simply preparing for another takeover try?

These and other questions were flying furiously Tuesday as the French press and the financial community tried to decipher his decision to sell most of his controlling stake in Générale Occidentale, a media and retailing conglomerate he founded 19 years ago, for an estimated 1 billion to 1.5 billion francs (\$167 million to \$250 million).

Through Générale Occidentale, Sir James controlled retailing, forestry and oil interests in the United States and, in France, media interests centered on

L'Express, the nation's leading news magazine, and Les Presses de la Cité, the country's second biggest book publisher.

Meanwhile, the Paris Bourse on Tuesday took a decidedly

Générale Occidentale and the market's reaction is brutal," said Pierre Michaux, an analyst with Sellier, a Paris stockbroker.

He and other analysts said that the mercurial Sir James gave the company its life, and they doubted that CGE would be able to replace his management skills.

"Here, Jimmy Goldsmith is regarded as a very, very strong personality," said Daniel Dierbure, an analyst with Boscher, another Paris stockbroker. "He gave the company its dynamism. Whatever CGE plans to do with Générale Occidentale, its management will not have the character and presence of a Jimmy Goldsmith."

The stock's fall, he added, "can also be viewed as a vote of no confidence for CGE."

Though Générale Occidentale said that Sir James will retain his post of company chairman, many analysts believe he will serve only in an advisory capacity, and they expect him to resign that title altogether next year, after the presidential election.

Mr. Dierbure said he believes that Sir James will remain close to the driver's seat until then "to guarantee the L'Ex-

negative view of Générale Occidentale sans Sir James. After holding even on Monday following the announcement, Générale Occidentale's shares plunged almost 5 percent Tuesday, to close at 1,130 francs (\$185), down from 1,185 francs on Monday.

Trading volume in the stock was expected to surpass Monday's extraordinary volume of 44,000 shares.

"Jimmy Goldsmith has effectively pulled out of the capital of

García Proposes Takeover of All Banks in Peru

Reuters

LIMA, Peru — President Alan García Pérez, calling Peru's financial system "the greatest obstacle" to his economic program, proposed Tuesday the nationalization of all banks and credit institutions in the country.

In an address before Congress, he said that all banking operations would be frozen while the legislature studied his proposal. Mr. García also announced the closing of 190 parallel exchange houses throughout the country and said that all dollar sales would be handled exclusively by banks.

Mr. García did not make clear how nationalization, if approved by Congress, would affect the six foreign bank subsidiaries with operations in Peru. Those are Bank of Tokyo Ltd., Citicorp, BankAmerica Corp., Bank of London & South America Ltd., Banco Central de Madrid, and Chase Manhattan Corp.

But a government official said that the nationalization was intended to include the foreign banks. Congress is next scheduled to meet on Aug. 3, but is empowered to call an emergency session to study Mr. García's proposal.

Asserting that Peru was "completely respectful of the law and democracy," Mr. García said that all banks that are nationalized would receive compensation. His speech marked the second anniversary of the day he took office.

The 38-year-old populist said that the government was proposing nationalization because banks had discriminated against the rural poor in their lending practices and had contributed to the flight of capital out of the country.

"The financial system today in Peru" is "the greatest obstacle to the democratization of production and the accumulation of profits," Mr. García said.

He asserted that the takeover of the banks would end speculation in dollars and help funnel credit to productive sectors that are critical to the country's economic growth.

Mr. García, whose American Popular Revolutionary Alliance Party dominates the 240-seat Con-

gress, also proposed nationalizing the insurance industry.

Peru, Latin America's sixth-largest debtor with a foreign debt of \$14.7 billion, has had strained relations with nearly all of its private and government creditors.

It announced earlier this month that it planned to resume payments to the World Bank and do more to lure foreign investment. But at the same time, Mr. García said that the government would more strictly adhere to a 10 percent limit on the use of its export income to service its foreign debt.

Peru has net reserves of about \$800 million, and about \$96 million has left the country since May, officials said. Mr. García said he was angry that despite government incentives, domestic producers had transferred earnings abroad instead of reinvesting their profits.

U.K. Industry Sees Slower but Steady Growth

Reuters

LONDON — Major British employers are optimistic that growth in production and orders will continue in the coming months, although the recent rapid pace will slow to a steady but sustainable rate, according to a survey issued Tuesday.

The quarterly report by the Confederation of British Industry noted that 45 percent of British companies were working below their output capacity, a lower percentage than at any time since 1974.

The CBI, an association of the nation's major industrial employers, said that businesses planned to significantly increase their capital investment.

The survey of 1,485 companies also allayed fears that inflation was rising with few respondents expecting large increases in domestic prices in the next four months.

Currency Rates

Cross Rates	July 28
American dollar	100.00
British pound	163.25
French franc	6.55
German mark	1.36
Italian lira	2.36
Japanese yen	163.25
Swiss franc	7.20
Spanish peseta	166.64
Portuguese escudo	200.48
Dutch guilder	3.60
Australian dollar	1.54
New Zealand dollar	1.27
South African rand	1.47
Israeli sheqel	3.48
Indian rupee	15.75
Thai baht	25.46
Singapore dollar	1.36
Malaysian ringgit	2.36
Philippine peso	49.63
Indonesian rupiah	1,678.00
Chinese yuan	6.30
South Korean won	200.48
Japanese yen	163.25
Chinese yuan	6.30
South Korean won	200.48
Japanese yen	163.25

Other Dollar Values	July 28
American dollar	100.00
British pound	163.25
French franc	6.55
German mark	1.36
Italian lira	2.36
Japanese yen	163.25
Swiss franc	7.20
Spanish peseta	166.64
Portuguese escudo	200.48
Dutch guilder	3.60
Australian dollar	1.54
New Zealand dollar	1.27
South African rand	1.47
Israeli sheqel	3.48
Indian rupee	15.75
Thai baht	25.46
Singapore dollar	1.36
Malaysian ringgit	2.36
Philippine peso	49.63
Indonesian rupiah	1,678.00
Chinese yuan	6.30
South Korean won	200.48
Japanese yen	163.25
Chinese yuan	6.30
South Korean won	200.48
Japanese yen	163.25

Interest Rates

Eurocurrency Deposits	July 28
1 month	6 1/4 - 6 3/4
3 months	6 1/2 - 6 3/4
6 months	6 3/4 - 7 1/4
1 year	7 1/4 - 7 3/4

Key Money Rates	July 28
Discount rate	5 1/2
Prime rate	8 1/2
Federal funds	6 1/2
Call money	5 1/2
3-month Treasury bill	6 1/2
6-month Treasury bill	6 1/2
1-year Treasury bill	6 1/2

U.S. Money Market Funds	July 28
Mutual Shares	10.00
Money funds	10.00
Money funds	10.00
Money funds	10.00
Money funds	10.00

Gold	July 28
A.M.	422.80
P.M.	422.80
London	422.80
New York	422.80
Gold	422.80

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and the maintenance of a strong capital base.

The bank has always been highly selective in lending. It emphasizes very conservative activities, investing in safe and liquid assets and using its extensive expertise to trade profitably in precious metals, foreign exchange, bonds and bank notes.

Underlying every aspect of Republic National Bank's pursuit of excellence is a single, fundamental principle: the protection of depositors' funds.

It should come as no surprise, then, that this pursuit of excellence results in considerable advantages to private banking clients, and the application of the very highest standards of excellence to the handling of

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SINGAPORE	TOKYO	PANAMA	NASSAU
BUENOS AIRES	SANTIAGO	MONTVIDEO	CARACAS
MEXICO CITY	PUNTA DELESTE	RIO DE JANEIRO	SAO PAULO

FIGURES AS AT DECEMBER 31, 1986:
TOTAL ASSETS:
US \$ 16.8 billion
SHAREHOLDERS' EQUITY:
US \$ 1.6 billion

BUSINESS ROUNDUP

Mobil Profit Falls 48%,
But Texaco, Chevron Up

United Press International
NEW YORK — Mobil Corp., the second-largest U.S. oil company, reported Tuesday that its second-quarter earnings plummeted 48 percent, while third-ranked Texaco Inc. said earnings rose 30 percent in the quarter, and fourth-ranked Chevron Corp.'s profit rose 59 percent.

Last week Exxon, the largest U.S. oil company, reported a modest 3 percent gain in its second-quarter profit.

New York-based Mobil said its earnings declined to \$304 million, or 74 cents a share, taking into account \$196 million in special items. In the 1986 quarter, Mobil reported earnings of \$582 million, or \$1.42 a share.

Excluding the special items, Mobil's earnings for the latest quarter were down 21 percent, or by \$82 million.

Second-quarter revenue was up 11 percent to \$13.5 billion.

Mobil said gains in other sectors were more than offset by lower refining and market results as crude oil prices increased.

Texaco, based in White Plains, New York, earned \$240 million, or 99 cents a share, in the second quarter, up from \$185 million, or 77 cents a share, in the quarter last year. Revenues advanced 8 percent to \$8.5 billion.

Second-quarter results were boosted by \$111 million after interest payments were suspended when Texaco filed for protection under

Chapter 11 of the federal bankruptcy code on April 12.

Chevron, with headquarters in San Francisco, had second-quarter earnings of \$344 million, or \$1 a share, up from \$215 million, or 63 cents a share, in the year-earlier quarter. The latest results included gains of \$150 million in asset sales.

Revenue was up 9 percent to \$7.3 billion.

Gulf Tension Boosts Oil

West Texas intermediate, the benchmark U.S. crude for immediate delivery, shot up by 83 cents Tuesday to \$21.32 a barrel on the New York Mercantile Exchange after Iraq shot down a Syrian jet that strayed into its airspace, United Press International reported.

Airbus Orders
376 GE Engines

Reuters
EVENDALE, Ohio — General Electric Co. said Tuesday that Airbus Industrie, the European aircraft maker, had placed a \$2 billion order for engines.

"This purchase order is the largest we have ever received at one time from a single commercial engine customer," the company said. The orders consist of a total of 376 engines: 158 for GE and 218 for CFM International, GE's joint venture with SNECMA of France.

GE's main competitor for the engines is the U.S. manufacturer Pratt & Whitney.

Pickens' Boeing Move:
Takeover or Profit?

Analysts See Quick Gain as Motive

Compiled by Our Staff From Dispatches

NEW YORK — T. Boone Pickens has indicated an intention to acquire as much as 15 percent of Boeing Co., the aircraft maker said.

The notification by Mr. Pickens raised questions of whether he was preparing to make one of his first takeover attempts outside the energy industry.

However, analysts and arbitrageurs said that the plan to buy at least \$15 million of Boeing's stock was more likely a move by the Texas investor for short-term profit than a prelude to a serious takeover bid.

Boeing, which also said its board had adopted anti-takeover provisions on Monday, said it had received notice, dated June 29, that Mesa Limited Partnership, an oil and gas concern controlled by Mr. Pickens, planned to acquire the Boeing securities.

Boeing is a company with lots of cash on its balance sheet, so it smells like a mugging to me," said one aerospace analyst. He said Mesa may only be seeking a quick gain. "If nothing else, they'll buy some stock and flip it back to the market at a higher price."

Previous targets of takeover bids by Mr. Pickens include Gulf



T. Boone Pickens

mean it can't be done," said one analyst.

But he said: "My experience with Hart-Scott-Rodino filings is that they're used by people who want to sell stock. They do this to create some excitement."

A takeover of Boeing, the world's premier producer of jet aircraft, would be the largest nonoil merger in U.S. corporate history.

But Thomas Lloyd-Butler of Montgomery Securities said the likelihood of success in a takeover bid for Boeing was slim.

"Boeing is a major asset to the U.S.," he said. "They produce airplanes better and faster than anyone in the world, and the reason they can do it is they have tremendous resources, including all that cash, which they generously redeploy into their business."

(Reuters, NYT)

CURRENCY MARKETS

Dollar Down Slightly in Dull Trading

Compiled by Our Staff From Dispatches

NEW YORK — After exhibiting some strength in the Far East and Europe, the dollar closed fractionally lower Tuesday in what one dealer described as "deadly dull" trading.

It was "a meaningless day," said Gopalan Nair, vice president of foreign exchange at Drexel Burnham Lambert.

Analysts should "not read too much into the rate movements on the day," he said. "There is no interest in what's going on."

In New York, the dollar closed at 1.8535 Deutsche marks, down from 1.8560 on Monday; at 150.25 yen, down from 150.65; at 1.5335 Swiss francs, down from 1.5390; and at 6.1700 French francs, down from 6.1750.

The dollar also was lower against the British pound, which closed at \$1.6035, against \$1.5985 Monday.

Mr. Nair said that the market was "very sluggish" around current levels, with the dollar locked in a range of 1.84 to 1.87 DM.

Mr. Nair said the market was awaiting Thursday's data on the U.S. government's main gauge of future economic activity, the index of leading economic indicators.

London Dollar Rates

Currency	Yen	Mark
Deutsche mark	1.8570	1.8565
French franc	6.1720	6.1700
Japanese yen	150.25	150.65
Swiss franc	1.5335	1.5390
British pound	1.6035	1.5985

Source: Reuters

Market estimates place the June increase in the index at 0.5 percent, down slightly from the 0.7 percent rise in May.

That would be "a moderately decent number," Mr. Nair said. And "if the number comes in line with expectations, there should be no net change in the dollar."

In London, the dollar closed mostly higher but little changed after a quiet day of featureless trading, dealers said.

The dollar is not expected to show much movement for the next few days, they said.

"The market is just thrashing about for now," said a British dealer.

In London, the dollar ended at 1.8570 DM, up from 1.8545 Monday, but slightly off the day's highs.

The dollar was unchanged against the yen, at 150.25.

It closed at 1.5385 Swiss francs, up from 1.5345.

from 1.5377 Monday, and at 6.1720 French francs, slightly up from 6.1700 on Monday.

However, the dollar was lower against the pound, which closed at \$1.5990, against \$1.5985 Monday. Some dealers said they felt that the response to next week's U.S. Treasury refunding would probably prompt some movement in the dollar.

The pound, meanwhile, was little changed at the slightly lower levels it reached after last week's disappointing trade figures for May. It closed one basis point higher on the day at 72.6 on its trade-weighted index.

The trade figures had appeared to justify fears of an overheated economy, dealers said.

But a quarterly report of the Confederation of British Industry, released Tuesday, which was optimistic on growth and production, had gone some way toward calming those fears, they said.

Earlier in Europe, the dollar was fixed in Frankfurt at 1.8575 DM, up from 1.8505 on Monday, and in Paris at 6.1820 French francs, up from 6.1600.

The dollar closed in Zurich at 1.5415 Swiss francs, up from 1.5345.

(UPI, Reuters)

Rise of Interbank Dealing Worries BIS

By Carl Gewirtz

International Herald Tribune

PARIS — The rapid expansion of international operations among banks in the wholesale interbank market over the past two years could jeopardize the stability of the world's banking system, the Bank for International Settlements said Tuesday.

The BIS is the Basel-based institution that is owned by the world's leading central banks and that monitors the cross-border operations of commercial banks.

"It is important that the market's future development should be carefully monitored, from both the macro-economic and the prudential points of view," the BIS warned in its report reviewing developments in the first three months of this year.

The size of the interbank market

is estimated by the BIS at \$2.2 trillion, up from \$1.3 trillion two years ago. The market, in operation since the mid-1960s, surpassed the \$1 trillion level only in the fourth quarter of 1983.

The official concern over the increase appears less directed at the type of business it may generate—transforming short-term borrowings into longer-term assets—than at the degree of international banking integration the numbers imply.

That means that a serious difficulty with the enormous amount of daily business passing through the international settlements system or a failure of any one bank could have a ripple effect on banks throughout the world.

The BIS is not calling for expanded monitoring or data collection, but rather cautioning that any

sector that is growing so fast needs to be closely monitored.

The expansion in the interbank market in the first quarter, in fact, slowed by more than would be accounted for by normal seasonal developments. New business expanded \$48 billion, a quarter of the increase registered in last year's final quarter but still almost double the pace of the year-earlier first quarter.

The BIS cites four reasons to explain the rapid expansion of the interbank market since mid-1985:

- The widening of current-account imbalances among the major developed countries and the related increase in capital flows across borders "in which interbank transactions played a significant part."

- The large purchases by banks of international securities both as underwriters and for their own portfolios, also usually financed in the interbank market.

- Hedging or assumption of specific risk exposures with respect to interest rate and exchange rate movements.

- The depreciation of the dollar, which meant that banks whose capital was denominated in other currencies had more scope for expanding business in dollars.

By last year, Japanese banks accounted for more than half the increase in interbank business, due to a series of regulatory changes—including the opening of the Japan offshore market—as well as the intense competition among banks for growth.

Platinum Surges on Action
By EC to Cut Car Exhaust

Reuters

LONDON — The price of an ounce of platinum surged Tuesday more than \$10 an ounce to \$955 in London. Tighter European Community controls on car exhaust have encouraged demand for platinum, used in catalytic converters in some exhaust systems.

EC environmental ministers approved stricter exhaust standards last week. But analysts say it could take several months for the standards to be approved by the European Parliament.

In New York in early trading, platinum futures jumped to two-month highs on general buying. The price for October delivery rose \$8.10 to \$604.50 an ounce.

Prices for platinum are still below the six-year high of \$673.75 hit last September during a period of rising tension in South Africa, the world's major producer. In 1980, platinum prices hit a record \$1,050.

Catalytic converters are widely used on North American cars and West European automakers are already fitting them on models for export. Recent figures from refiners Johnson Matthey PLC show use of platinum by West European automakers rose 70 percent in 1986, to a total of 120,000 ounces.

Traders are unwilling to forecast platinum production and use following the new rules, because they are unsure how strictly different EC members will enforce them.

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OUR 4th YEAR...

Amex Co. Sets
40 Million Share
Buyback Plan

New York Times Service

NEW YORK — American Express Co. has said it will buy back up to 40 million shares of its own stock, or 9.3 percent of the total outstanding, over the next two to three years.

The plan, announced Monday, would cost \$1.4 billion at current market prices, with the money expected to come from American Express's own resources and, possibly, bank loans. Leslie Biny, vice president of market analysis for Salomon Bros., said the American Express move would "probably add a little oomph to the stock but not cause it to do anything it wouldn't do otherwise."

Asked whether it was buying back stock because of takeover activity, American Express said it never commented on market speculation.

Monday, American Express shares rose \$1.50 to \$35.25 on the New York Stock Exchange. Tuesday, Amex was up a further 87.5 cents to \$36.125 at the close in active trading.

NatWest's Pretax Profit Off
48%, Less Than Expected

Agence France-Press

LONDON — National Westminster Bank PLC, the largest of the four major British clearing banks, reported Tuesday a 48 percent fall in pretax profit for the first half of the year to £251 million (£401.6 million).

The result, however, was better than had been expected by analysts, whose forecasts were around the level of £100 million.

In the first half of last year, National Westminster, which is known as NatWest, posted a profit of £482 million. The fall in profit is, chiefly, a result of sharply increased provisions for bad or doubtful debts to £564 million from £174 million in the previous half.

This took account of increased loan losses of £466 million made in June for debts to developing countries. NatWest's provision for bad loans was seen by London's financial community as a wise decision.

On Tuesday, NatWest shares closed on the London Stock Exchange at 762 pence, up from 750 pence at Monday's close.

The other top banks are Lloyds

Bank PLC, Midland Bank PLC, and Barclays Bank PLC. Last week, Lloyds posted a loss of £516 million for the first half of the year after setting aside a bad loan provision of £1.07 billion. Midland also announced a loss for the half of £521 million, including £916 million in loan loss reserves. Barclays has yet to issue first half results.

NatWest, which made a pretax profit of £1.01 billion for the whole of last year 1986, has the least exposure to Third World debts among the four clearing banks.

Thyssen to Pay Dividend
Despite Losses in Steel

Reuters

DUISBURG, West Germany — Thyssen AG said Tuesday it would be able to pay a dividend for the year ended Sept. 30, 1987, despite losses in its steel division, where revenue fell 17 percent in the first nine months.

However, a spokesman said no decision had been taken as to whether it would be able to match the 5 Deutsche marks (\$2.70) a share paid in 1985-86.

Commerzbank Total Profit Better Partial

Reuters

FRANKFURT — Commerzbank AG said Tuesday that total operating profit, including earnings from trading on the bank's own account, developed more favorably than partial operating profit in the first half of the year. But it said, total operating profit was still below 1986 levels.

The bank, in keeping with German accounting practice, did not detail total operating profit or trading earnings for the period. Commerzbank also offered no forecast for the whole of 1987.

But in an interim report, it said

group partial operating profit in the first half of 1987 was 531 million Deutsche marks (\$286 million), or 9.7 percent below last year's level. Partial operating profit excluding earnings from trading on the bank's own account.

The fall in group partial operating profit was less marked than the 17.9 percent drop to 308.7 million DM in the period from 375.9 million DM in six twelfths of 1986.

This was because of further improvements in its subsidiary, Rheinische Hypothekbank AG, and increased profits at the Luxem-

bourg unit, Commerzbank International SA.

Commerzbank attributed the fall in parent bank earnings to a 6.8 percent rise in operating costs to 1.23 billion DM, including a 6.9 percent rise in personnel costs to \$15.8 million DM.

Among assets, Commerzbank's "other securities" holdings showed strong growth to 1.18 billion DM at end-June from 766.9 million DM at the end of December.

This reflects the bank's acquisition of Linotype GmbH in Linotype will be floated later this year.

Company Results

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.

Britain			Canada			France			Germany			Italy			Japan			Netherlands			Sweden			Switzerland			U.S.		
Company	1987	1986	Company	1987	1986	Company	1987	1986	Company	1987	1986	Company	1987	1986	Company	1987	1986	Company	1987	1986	Company	1987	1986	Company	1987	1986	Company	1987	1986
North Western Bank	1987	1986	Bank of Montreal	1987	1986	Alcatel	1987	1986	Alcatel	1987	1986	Alcatel	1987	1986	Alcatel	1987	1986	Alcatel	1987	1986	Alcatel	1987	1986	Alcatel	1987	1986	Alcatel	1987	1986
1st Half	1987	1986	1st Half	1987	1986	1st Half	1987	1986	1st Half	1987	1986	1st Half	1987	1986	1st Half	1987	1986	1st Half	1987	1986	1st Half	1987	1986	1st Half	1987	1986	1st Half	1987	1986
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Revenue	1987	1986	Revenue	1987	1986	Revenue	1987	1986	Revenue	1987	1986	Revenue	1987	1986	Revenue	1987	1986	Revenue	1987	1986	Revenue	1987	1986	Revenue	1987	1986	Revenue	1987	1986
Profit	1987	1986	Profit	1987	1986	Profit	1987	1986	Profit	1987	1986	Profit	1987	1986	Profit	1987	1986	Profit	1987	1986	Profit	1987	1986	Profit	1				

Tuesday's AMEX Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

In The Associated Press

12 Month High	Low	Stock	Chg.	Vol.	PE	12 Month High	Low	Stock	Chg.	Vol.	PE
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15

12 Month High	Low	Stock	Chg.	Vol.	PE	12 Month High	Low	Stock	Chg.	Vol.	PE
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15

12 Month High	Low	Stock	Chg.	Vol.	PE	12 Month High	Low	Stock	Chg.	Vol.	PE
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15

12 Month High	Low	Stock	Chg.	Vol.	PE	12 Month High	Low	Stock	Chg.	Vol.	PE
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15

12 Month High	Low	Stock	Chg.	Vol.	PE	12 Month High	Low	Stock	Chg.	Vol.	PE
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15

12 Month High	Low	Stock	Chg.	Vol.	PE	12 Month High	Low	Stock	Chg.	Vol.	PE
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15

12 Month High	Low	Stock	Chg.	Vol.	PE	12 Month High	Low	Stock	Chg.	Vol.	PE
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15
100	98	IBM	+	10	15	100	98	IBM	+	10	15

INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 28th July 1987

ALMA GROUP	INTERNATIONAL INCOME FUND	INTERNATIONAL INCOME FUND	INTERNATIONAL INCOME FUND
(1) ALMA GROUP	(1) Short Term Bond Fund	(1) Short Term Bond Fund	(1) Short Term Bond Fund
(2) ALMA GROUP	(2) Short Term Bond Fund	(2) Short Term Bond Fund	(2) Short Term Bond Fund
(3) ALMA GROUP	(3) Short Term Bond Fund	(3) Short Term Bond Fund	(3) Short Term Bond Fund
(4) ALMA GROUP	(4) Short Term Bond Fund	(4) Short Term Bond Fund	(4) Short Term Bond Fund
(5) ALMA GROUP	(5) Short Term Bond Fund	(5) Short Term Bond Fund	(5) Short Term Bond Fund
(6) ALMA GROUP	(6) Short Term Bond Fund	(6) Short Term Bond Fund	(6) Short Term Bond Fund
(7) ALMA GROUP	(7) Short Term Bond Fund	(7) Short Term Bond Fund	(7) Short Term Bond Fund
(8) ALMA GROUP	(8) Short Term Bond Fund	(8) Short Term Bond Fund	(8) Short Term Bond Fund
(9) ALMA GROUP	(9) Short Term Bond Fund	(9) Short Term Bond Fund	(9) Short Term Bond Fund
(10) ALMA GROUP	(10) Short Term Bond Fund	(10) Short Term Bond Fund	(10) Short Term Bond Fund

AMEX High-Lows

NEW HIGH	NEW LOW	NEW HIGH	NEW LOW
(1) NEW HIGH	(1) NEW LOW	(1) NEW HIGH	(1) NEW LOW
(2) NEW HIGH	(2) NEW LOW	(2) NEW HIGH	(2) NEW LOW
(3) NEW HIGH	(3) NEW LOW	(3) NEW HIGH	(3) NEW LOW
(4) NEW HIGH	(4) NEW LOW	(4) NEW HIGH	(4) NEW LOW
(5) NEW HIGH	(5) NEW LOW	(5) NEW HIGH	(5) NEW LOW
(6) NEW HIGH	(6) NEW LOW	(6) NEW HIGH	(6) NEW LOW
(7) NEW HIGH	(7) NEW LOW	(7) NEW HIGH	(7) NEW LOW
(8) NEW HIGH	(8) NEW LOW	(8) NEW HIGH	(8) NEW LOW
(9) NEW HIGH	(9) NEW LOW	(9) NEW HIGH	(9) NEW LOW
(10) NEW HIGH	(10) NEW LOW	(10) NEW HIGH	(10) NEW LOW

Asian Shippers Increase Hold on Container Ships

TOKYO—Asian shippers expanded their container fleets in 1986 while competition for survival among shipping firms increased, Nippon Yusen Kaisha, a major Japanese shipping company, reported Tuesday.

NYK said in its annual report on the world's container fleet that all of the 36 largest container ships built and commissioned during 1986, came under the control of shipping firms in the Far East, including Japan.

Almost all of them were put on the routes between the Far East and North America, the company said.

The report noted that United States Lines sought protection under the bankruptcy law in November 1986, putting most of its fleet, including 12 super-sized container ships out of operation. As a result, the total tonnage of container ships in operation on the trans-Pacific route at the end of 1986 leveled off from a year earlier.

Floating-Rate Notes

Dollars	Pounds Sterling	Deutsche Marks	Japanese Yen
(1) Dollars	(1) Pounds Sterling	(1) Deutsche Marks	(1) Japanese Yen
(2) Dollars	(2) Pounds Sterling	(2) Deutsche Marks	(2) Japanese Yen
(3) Dollars	(3) Pounds Sterling	(3) Deutsche Marks	(3) Japanese Yen
(4) Dollars	(4) Pounds Sterling	(4) Deutsche Marks	(4) Japanese Yen
(5) Dollars	(5) Pounds Sterling	(5) Deutsche Marks	(5) Japanese Yen
(6) Dollars	(6) Pounds Sterling	(6) Deutsche Marks	(6) Japanese Yen
(7) Dollars	(7) Pounds Sterling	(7) Deutsche Marks	(7) Japanese Yen
(8) Dollars	(8) Pounds Sterling	(8) Deutsche Marks	(8) Japanese Yen
(9) Dollars	(9) Pounds Sterling	(9) Deutsche Marks	(9) Japanese Yen
(10) Dollars	(10) Pounds Sterling	(10) Deutsche Marks	(10) Japanese Yen

FRANCE: Debunking Suspicions of a National Decline

(Continued from Page 1)

French industrial group, its workers in France receive more pay on the average, 103 francs (\$16.72) an hour, for fewer hours worked, 1,520 hours a year, than in any of its overseas units.

This, Saint-Gobain says, compares with the equivalent of 99 francs an hour for 1,780 hours a year in the United States, 91 francs for 1,580 hours in Belgium, and 80 francs for 1,650 hours in Italy.

Mr. Scherr's book has struck a deep chord in France, a country with a bent toward self-examination of its world role and status that borders on narcissism.

"For the first time in many years, perhaps because we asked, we found a feeling throughout the country that people don't work hard enough, that somehow France isn't making it any more," said Georges Valance, a senior editor at the magazine *Le Point*. "The question will most certainly not go away."

To be fair, France unquestionably has a lot to be concerned about these days.

On July 9, the National Statistics Institute, INSEE, announced downward revisions in its forecasts for economic growth this year. It said that GDP, or gross domestic product, the broadest measure of output, would fall to a rate of 1.3 percent.

The rate, which compares with 2.3 percent in 1986, would be the lowest since 1983 and roughly a full percentage point below the average projected for industrialized countries this year and in 1988.

Meanwhile, the institute warned that inflation was accelerating and would reach an annual rate of 3.5

percent by the year's end, up from 2.2 percent last year. It predicted that unemployment would reach 12 percent next year, representing 1.3 million jobs and one of the highest rates in the West.

At the same time, the government reported that the trade deficit in the first six months of this year widened to 19.6 billion francs, more than double the figure for the

To foreign observers, France's bout of teeth-grashing seems more than a little puzzling, if not completely overwrought.

first half of 1986, as imports surged and exports fell.

Even considering such dismal statistics, however, France has been faring no worse than the other major industrial nations.

And the debate has tended to mask some encouraging signs of recovery. France's inflation rate, for example, is half its rate of three years ago, wage costs are slowing and corporate profits, long the

most moribund in Europe, have been soaring.

"France's performance, while not brilliant, has not been all that bad," said a staff economist for the Organization of Economic Cooperation and Development, the Paris-based agency that compiles comparative national statistics on

industrialized Western countries. "There may be a current slowdown, but it won't last."

Nor, according to OECD statistics, is France in any imminent danger of losing its ranking as the West's No. 4 economic power to Italy. Last year, France's gross domestic product amounted to \$705 billion, \$126 billion more than Italy's GDP and \$160 billion ahead of Britain's.

"France's ranking as fourth among industrialized nations has remained steady for two decades, and seems likely to remain there," the OECD economist said.

Senior OECD economists said that the French, perhaps because of their emotional investment in the debate, have failed to understand that what they are going through now is an inevitable backlash linked to prior economic policies, and not a fundamental decline.

Historically speaking, these economists note, France was late in starting the "structural adjustments"—economic buzzwords for inflation medicine—that most Western countries swallowed after the oil shocks of 1974 and 1979.

Thus, from 1973 through 1979, the French economy kept expanding at an average annual rate of 3.2 percent, well ahead of the European Community's 2.4 percent average and the 2.6 percent rate in the United States.

By the time the Socialists came to power in 1981, France's growth was already slipping into recession, unemployment was rising and prices climbing at a rate of nearly 11 percent.

But rather than pursuing the belt-tightening policies already being applied successfully by Britain, West Germany, Italy and other ma-

The Self-Indulgent French

International Herald Tribune

PARIS—The French are not lazy, says François Dalle, author of an official report on employment in France, but "we have given ourselves too much."

Mr. Dalle, president of the parliamentary group, L'Oréal, says excessive vacations and absenteeism put the French at a disadvantage in comparison with countries such as Japan and the United States.

"I understand very well the desire to reduce the hours of work," he said, "but like disengagement, you have to do it at the same time as all the others, and not before the others."

In his report, "Pour Développer l'Emploi," prepared for the minister of social affairs and employment, Mr. Dalle warned that France has been living beyond its means, and that the cost of production has risen faster than the increase in productivity.

"I wouldn't call the French lazy," he said, "but their ideological system leads them to believe that to reduce unemployment, it is necessary to reduce the hours of work. This is absolutely not true."

"In cases where we are in direct international competition, I believe we have to submit to equal conditions of competitiveness, not only in hours of work but also in absenteeism and quality of work," he said.

He agreed that in jobs not involving international competition—such as driving a metro train or working in a hospital—there would not be so much need to compete on international terms.

This, he suggested, could lead to two levels of pay, which is what he said was happening in America, where generally lower paid service industries have developed to a far greater extent than in France.

Mr. Dalle said that to create new jobs, France needed to learn from Japan's production methods, West Germany's apprenticeship system and America's experience in developing service industries.

For European trading partners—a policy started gingerly under the previous conservative government of President Valéry Giscard d'Estaing—the Socialists began priming the pump.

As a result, wages and nominal living standards continued to rise. But so did inflation, leading to a weakened franc and a cutback in capital investments. Not until 1983 did the Socialists slowly shift to more restrictive policies and begin reforms such as reductions in the budget deficit, which were accelerated by the Chirac government.

It may take many painful years for the budget cutting, deregulation and redevelopment schemes to bear fruit. But for many observers, the debate itself is folly. The question, they say, is not whether France is *finis*, but how long it will take to get through the current period of adjustment.

"There is no doubt that France still has a long way to go," commented a senior U.S. diplomat in Paris, "but the underlying trends still point in the right direction."

In any case, analysts observe, the debate is almost sure to die at the end of this week, when the annual August exodus begins.

Moulinex Seeks a Clue to Its Future

By Axel Krause

International Herald Tribune

ALENCON, France—Executives recall how in the 1960s, Jean Mantelet, the founder of Moulinex SA, would greet workers with a handshake as they entered his plant here and thank each one for helping the company become Western Europe's largest and most profitable maker of small kitchen appliances.

Two decades later, if the French were to choose a symbol of their industrial decline, it might be Moulinex, which is as ailing and troubled as Mr. Mantelet himself. Consider the following:

• Sales volume during the first three months of this year fell by 17 percent from a year earlier. The decline followed a stagnant sales performance in 1986, when revenue was 3.7 billion (\$547.1 million) francs.

• Moulinex posted its last net profit, of 54 million francs, in 1984. A 35 million franc loss in 1985 widened to 238 million francs last year.

• Most of the company's 18 plants, five of which are situated outside France, are operating below full capacity. Investment in plant and equipment has virtually halted, partly as a result of overcapacity and partly because of fierce competition.

• Financial analysts, bankers and distributors of Moulinex products in Western Europe and the United States have expressed skepticism about the company's future despite a determined recovery effort launched by a management team several months ago.

Moulinex, with its line of 100 products ranging from mixers, coffee makers, irons and toasters to microwave ovens, had been one of France's major success stories. Its name once was nearly as well-known as Gaultier cigarettes and the Deux Chevaux automobile.

Its current predicament is by no means unique in France. Many small and medium-size family-controlled companies are being squeezed by falling sales and rising losses as domestic competition and imports increase dramatically.

A problem common to many French companies, but particularly striking in Moulinex's case, is how to arrange for succession in a family-controlled firm.

It was Mr. Mantelet who in the early 1930s invented the vegetable mill, the "*moulin à légumes*," which launched the company's product line. He has remained in financial control and as chairman ever since. Until less than a year ago, he ruled the company



Jean Mantelet, the founder of Moulinex SA.

with an iron hand, refusing to delegate managerial responsibility and to lay off workers.

"He just did not have the courage to let people go," Mr. Roger said, "and then new companies came along, with similar and better products."

Mr. Mantelet, who will turn 87 in August, suffered a severe stroke this year and is under constant medical care. He controls about 65 percent of the firm's shares and refuses to sell them to outsiders. His closest relatives reportedly are not interested in running the company.

Since April, under the pressure of bankers, the day-to-day running of the company has been delegated to Roland Darneau, 59, a U.S.-trained executive who joined the company in 1968 and has launched an ambitious and widely admired recovery program.

With the help of other executives, Mr. Darneau has cut back sharply on a work force that currently totals about 9,000 people. Huge inventories of kitchen appliances have been reduced, along with investments.

Tuesday's OTC Prices

NASDAQ prices as of 4 p.m. New York time.

Via The Associated Press

12 Month High Low Stock Div. Yld. % Sales in 1986 High Low 4 P.M. City

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